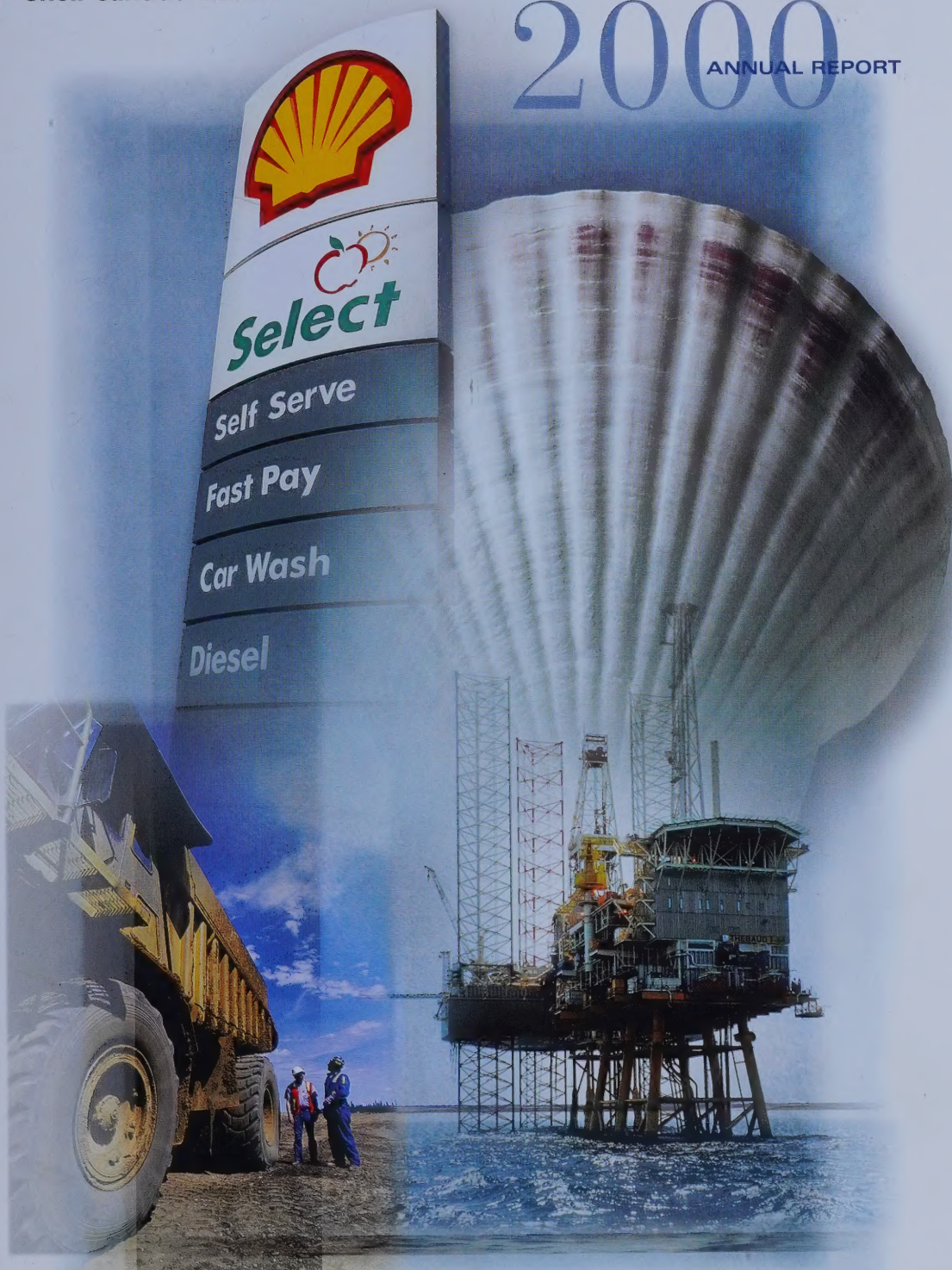




Shell Canada Limited

2000

ANNUAL REPORT





Shell Canada Limited is one of the largest integrated petroleum companies in Canada, comprising three major business units supported by a number of Corporate departments. The Company is committed to the principles of sustainable development in all of its activities.

RESOURCES

Resources explores for and produces natural gas, natural gas liquids, bitumen and sulphur. The upstream business operates four natural gas processing facilities in the Foothills area of Alberta, and an in-situ oil sands project in Peace River, Alberta. The Company also has a 31.3 per cent share of the Sable Offshore Energy project, which produces natural gas off the east coast of Nova Scotia.

OIL SANDS

Under a joint venture agreement, Shell Canada holds a 60 per cent interest in the Athabasca Oil Sands project in northern Alberta. This \$3.5 billion project, the largest in Shell Canada's history, includes the Muskeg River mine and the Scotford upgrader. Bitumen reserves associated with the project are estimated to be six billion barrels. Construction is well under way and production is expected to start in late 2002.

OIL PRODUCTS

The downstream business manufactures, distributes and markets refined petroleum products across the country. Refineries in Montreal, Que., Sarnia, Ont., and Fort Saskatchewan, Alta., convert crude oil into gasoline, diesel fuel, aviation fuels, solvents, lubricants, asphalt and heavy fuel oils. Shell's Canada-wide network of 1,940 retail sites includes food stores and car wash facilities.

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**HIGHLIGHTS****FINANCIAL HIGHLIGHTS** (\$ millions except as noted)

	2000	1999	1998
Earnings	858	641	432
Cash flow from operations	1 255	795	845
Capital and exploration expenditures	1 153	715	796
Return on average capital employed (%)	20.3	15.8	11.8
Return on average common shareholders' equity (%)	22.1	17.7	13.1
Per Common Share (dollars)			
Earnings	3.04	2.22	1.49
Cash flow from operations	4.45	2.75	2.91
Dividends paid	0.76	0.72	0.72

OPERATING HIGHLIGHTS

	2000	1999	1998
Production			
Natural gas – gross (mmcf/d)	593	562	587
Ethane, propane and butane – gross (bbbls/d)	30 200	30 400	30 800
Condensate – gross (bbbls/d)	23 200	23 600	24 900
Bitumen – gross (bbbls/d)	4 200	6 100	7 200
Crude oil – gross (bbbls/d)	–	13 600	15 700
Sulphur – gross (long tons/d)	6 500	6 600	6 600
Crude oil processed by Shell refineries (m ³ /d)	43 100	41 800	41 800
Sales			
Petroleum product sales (m ³ /d)	45 400	45 000	45 000
Prices			
Natural gas average plant gate netback price (\$/mcf)	4.74	2.69	1.89
Ethane, propane and butane average field gate price (\$/bbl)	22.75	12.91	7.25
Condensate average field gate price (\$/bbl)	42.62	24.90	18.54
Crude oil average field gate price (\$/bbl)	–	24.97	18.83

Unless the content indicates otherwise, the terms Shell, Shell Canada, Shell Canada Limited, Corporation, Company, we, our and its are used interchangeably in this report to refer to Shell Canada Limited, its consolidated subsidiaries and Shell Canada Products.

leadership in profitability





profitable growth for the future

committed to sustainable development

OVERVIEW

Shell Canada Limited achieved record earnings of \$858 million, or \$3.04 per Common Share, in 2000. The return on average capital employed (ROACE), which is the Company's measure of its profitability, was 20.3 per cent – well above our target of 15 per cent. This ROACE ensured that Shell remained one of the most profitable integrated oil and gas companies in Canada.

As part of our commitment to operational excellence, we achieved good reliability in both our upstream and downstream operations. This allowed us to seize most of the opportunities presented by exceptional market conditions.

High natural gas prices helped Resources to achieve a 38.7 per cent ROACE. Markets for oil products in North America were strong, driven by high crude oil prices and low product inventories. Refining margins improved considerably over 1999. All customers faced increasingly high prices, which understandably created much concern. It proved impossible to recover fully at the pump the impact of higher wholesale costs, resulting in a squeeze on marketing margins. However, the improved refining profitability boosted Oil Products ROACE to 19.6 per cent. Shell Canada Products continued to lead the industry in cents-per-litre earnings.

HIGHLIGHTS



BOTH RESOURCES AND OIL PRODUCTS achieved record earnings of \$536 million and \$340 million respectively.

STRONG PLANT RELIABILITY contributed to the outstanding profitability of Foothills natural gas facilities.



THE SABLE PROJECT, offshore Nova Scotia, demonstrated its ability to produce at full capacity in December 2000. At full rate, Shell's share represents a 30 per cent increase in the Company's overall natural gas production.



CONTINUING SUCCESS WITH SOAK RADIAL WELL TECHNOLOGY at Shell's Peace River in-situ operation resulted in approval for a \$50 million, 18-well drilling program.

The outstanding profitability of the base businesses provided a solid foundation for the Company's growth projects:

THE SABLE OFFSHORE ENERGY PROJECT *demonstrated its ability to produce at full capacity near the end of 2000.*

SHELL'S ATHABASCA OIL SANDS PROJECT (AOSP) ACHIEVED ALL ITS KEY 2000 MILESTONES *and is on track for its scheduled start-up in 2002.*

During 2000, we maintained our focus on shareholder value, buying back \$490 million of shares and increasing the quarterly dividend to 20 cents per share from 18 cents.

At the same time, we continued to make progress on Shell's commitment to sustainable development.

SAFETY PERFORMANCE

Shell improved its safety performance in 2000, with 10 lost time injuries compared to 18 in 1999. Regrettably, a road transport contractor fatality in May undermined this improvement. We can begin to be satisfied with our performance only when nobody is harmed in the course of our business activities: this remains our ultimate goal.



INTENSIVE WORK ON THE AOSP PROCEEDED ON SCHEDULE *with construction activity at the Muskeg River mine, Scotford upgrader and the existing Scotford refinery.*



YIELDS AND EFFICIENCY AT ALL THREE SHELL REFINERIES *were exceptionally good, especially at the Company's oldest refinery – Montreal East.*



IN SPITE OF INTENSE COMPETITION *and continued rationalization of the retail network, Shell's retail market share in major urban markets averaged almost 19 per cent, maintaining a strong competitive position.*



AN INDEPENDENT SURVEY RATED SHELL CANADA *among the companies named in Canada's Top 100 Employers.*

SUSTAINABLE DEVELOPMENT

Shell Canada is committed to sustainable development, which means integrating economic, environmental and social dimensions into the conduct of our business.

We believe there is a sound business case for this commitment: providing value to our customers in a way that respects environmental and social concerns and contributes to the economic benefit of our shareholders, employees and society at large. In turn, this helps to maintain our “licence to operate” and helps us to become the supplier or partner of choice.

A critical element in sustainable development is openness and engagement with stakeholders, especially the local communities around Shell’s activities.

Shell Canada has a long history of community consultation. But distrust of our industry runs deep and we still have a lot to learn. I believe we are making progress through bodies such as the Sundre Petroleum Operators Group in central Alberta and the networks set up with neighbouring communities from the beginning of the AOSP development. Shell’s strategy is to be open about its plans and activities. We listen and try to respond to stakeholders’ concerns, and we seek to help build a community’s capacity to benefit from the development of our projects.

Our plans for managing greenhouse gas emissions, particularly from the AOSP, include external engagement. In 2000, we established a Climate Change Advisory Panel, which is helping Shell to reduce its greenhouse gases. As a result of our discussions, we set a target for the Oil Sands project to halve its post-start-up emissions by 2010. At this level, the project’s emissions will be six per cent below those from an equivalent amount of crude oil that otherwise would have to be imported into North America to meet demand.

progress to
future growth

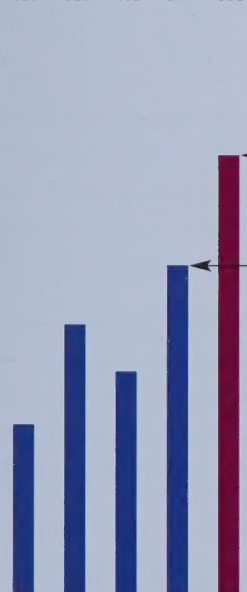


EARNINGS FROM CONTINUING OPERATIONS

(\$ millions)

Both Resources and Oil Products reported record earnings.

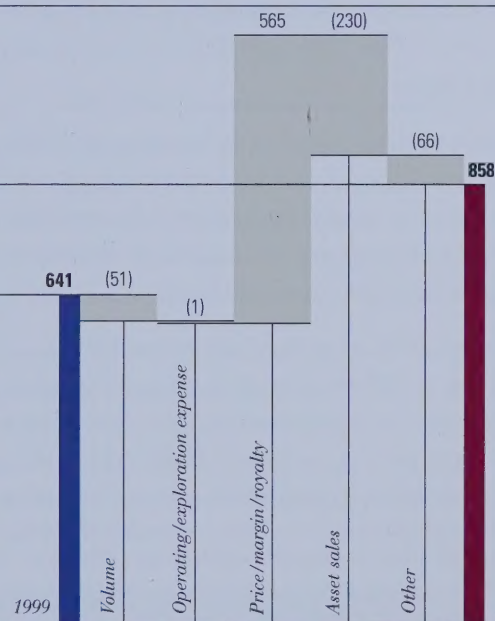
96	97	98	99	00
326	523	432	641	858



EARNINGS ANALYSIS

(\$ millions)

High commodity prices, improved refining margins and strong operating reliability contributed to a record year.

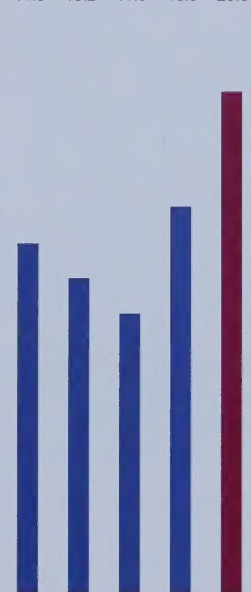


RETURN ON AVERAGE CAPITAL EMPLOYED

(per cent)

Both business units and the Company overall exceeded their ROACE targets.

96	97	98	99	00
14.6	13.2	11.8	15.8	20.3



SHAREHOLDER RETURN

(index value)

Shell Canada outperformed both the TSE 300 and the Integrated Oils indexes over the past three years.

- Shell Canada Limited
- TSE 300
- Integrated Oils



We continued to participate in a range of voluntary programs, including the Voluntary Challenge and Registry Inc. program. Shell Canada is also gaining experience in emissions trading within the Royal Dutch/Shell Group of Companies through the Shell Tradable Emission Permit System (STEPS) program.

Finally, starting in 2000, Shell Canada will purchase wind power over three years to gain experience as a renewable energy customer. We also conducted a strategic review of renewable energy in Canada with a view to identifying potential business opportunities.

LOOKING AHEAD

Shell Canada's corporate objectives are leadership in profitability and profitable growth with an overarching commitment to sustainable development. We continue to pursue the goal of a 15 per cent return on average capital employed over the long term. This level of ROACE may prove difficult to achieve while investment in the AOSP is building. However, the goal for our existing businesses in Oil Products and Resources is to meet the 15 per cent target.

Even though there are many uncertainties in the market, we expect to see lower average crude oil prices in 2001. Natural gas prices reached unprecedented highs in 2000. However, short-term prospects for significantly increased supply are limited, which means prices are likely to remain strong for a longer period of time. With a slowdown in the U.S. and Canadian economies, we could face a period of increased price volatility for both crude oil and natural gas.

Resources plans to maximize opportunities offered by the current high commodity prices through its commitment to operational excellence and to maintain its focus on key exploration and development projects.

The 2001 spending program includes \$350 million for upstream exploration and development. In the Foothills, we will continue to use third party agreements to leverage our exploration efforts and Shell's strong infrastructure position.

We are also investigating expansion opportunities on the Sable shelf and in the deep water off the Scotian shelf.



Tim Faithfull
*President and
Chief Executive Officer*

In the Mackenzie Delta of Canada's Northwest Territories, results from a study of the development potential of Shell's Niglintgak natural gas field have encouraged us to launch related baseline environmental studies and conceptual engineering work. Shell has also committed to evaluate an exploration licence south of Niglintgak acquired in the summer of 2000.

Based on encouraging results in 2000 from the soak radial well technology at the Peace River bitumen operation, an additional \$50 million, 18-well drilling program was approved for 2001. If the technology continues to be successful and the economics remain viable, there are plans to extend the drilling program and fill the plant by 2002.

The AOSP construction will accelerate significantly in 2001. Anticipated shortages of skilled labour due to high levels of construction activity will present a challenge. The project also faces upward cost pressures from increased complexity in the upgrader and the higher price of bulk materials. A strong project management organization is in place and we have set up a range of initiatives to mitigate these pressures. Shell Canada's most important task is to ensure the successful execution of this project, which is scheduled to start up in late 2002.

Oil Products will build on its 2000 success in the areas of improved refining yields and plant reliability. A key target in 2001 is to meet the schedule and cost objectives for the modifications to the Scotford refinery in preparation for the Oil Sands start-up at the end of 2002. As Retail and Commercial continue to rationalize their respective networks, they will develop better ways of satisfying and attracting customers. In the face of stiff competition, the downstream business's goal is to remain the industry's lowest cost operator.



Finally, I believe that e-business can make a significant contribution to the Company's success. In 2001, we will focus on harnessing e-business structures to lower cost and enhance service levels in procurement and sales, as well as improving the electronic interface with customers and other stakeholders.

Shell plans to invest \$4.2 billion over the next five years, of which \$1.8 billion is related to Shell's remaining investment in the AOSP. Capital and exploration expenditures in 2001 will total a record \$1.8 billion, including \$1.1 billion for the AOSP and \$177 million for related modifications to the Scotford refinery.

The year 2000 was a record year for Shell Canada. Our growth projects made good progress and our strong internal focus on operational reliability combined with external circumstances to generate exceptional earnings in both Resources and Oil Products. I thank Shell people across the country for their hard work and commitment, which has made these achievements possible.

In conclusion, I wish to acknowledge the valuable contribution made by three of our Directors who will retire from the Shell Canada Board in 2001. Margaret E. Southern, OC, LVO, John F. Fraser, OC, and Sir Mark Moody-Stuart, KCMG, have each provided their unique insights and abilities to guide the Company to its present success. We are grateful to them all.

On behalf of the Board,



Tim W. Faithfull
President and Chief Executive Officer
Calgary, Alberta

March 2001



MANAGEMENT'S DISCUSSION AND ANALYSIS



action today with tomorrow in mind

SHELL CANADA'S EARNINGS for 2000 were \$858 million or \$3.04 per Common Share compared to earnings of \$641 million or \$2.22 per share for 1999.

Return on average capital employed (ROACE) was 20.3 per cent in 2000 compared to 15.8 per cent in 1999. Cash flow from operations increased to \$1,255 million from \$795 million for the 12 months of 1999.

Capital expenditures in 2000 were \$1,153 million compared to \$715 million in 1999.

Management's Discussion and Analysis includes reports on Resources, Oil Sands, Oil Products and Corporate activities up to and including page 46.





Resources earnings for 2000 were \$536 million compared to \$500 million in 1999. The 1999 total included a gain of \$230 million from the sale of the Plains business and a \$32 million impairment provision for Peace River.

working towards a
sustainable future



Strong commodity prices and plant reliability were the main reasons for the exceptional performance in 2000. Return on average capital employed was 38.7 per cent compared to 31.5 per cent in 1999 (16.3 per cent excluding the Plains gain and Peace River impairment provision). Resources capital and exploration expenditures were \$254 million in 2000 compared to \$488 million in the previous year, which included \$335 million for the Sable project.

COMMODITY PRICES

Natural Gas Natural gas prices reached record levels in North America in 2000. Shell's average plant gate price rose by 75 per cent to \$4.74 per thousand cubic feet (mcf) from \$2.69 per mcf in 1999. Demand for natural gas rose dramatically, driven mainly by electric power generation. At the same time, supply in both Canada and the United States increased only modestly despite record drilling activity.

Since coming on stream December 31, 1999, the Sable Offshore Energy project has substantially increased Shell's natural gas business. Sable demonstrated its capability to produce at full capacity in 2000. Shell's 31.3 per cent share will increase the Company's total natural gas production by about 30 per cent. Shell sells its Sable volumes to power generation and wholesale markets in Atlantic Canada and the northeastern United States.

Shell continues to sell its western Canadian natural gas production at Alberta market prices to Coral Energy Canada Inc.

Crude Oil, Bitumen and Asphalt Crude oil prices started the year at more than \$27 US per barrel (West Texas Intermediate) and peaked at over \$34 US per barrel in November.

High crude oil prices improved bitumen netback prices at Shell's Peace River operation. Towards year-end, netbacks declined significantly as the differential between light and heavy crude oils widened in response to increased production of heavy crude and seasonal weakening in bitumen markets.

The asphalt business sold 75,000 tonnes in 2000 to markets in British Columbia, Alberta and the Northwest Territories.

Natural Gas Liquids Natural gas liquids include ethane, propane, butane and condensate. Ethane prices are tied closely to natural gas values. They increased through 2000 in line with rising natural gas prices and growth in demand due to additional petrochemical capacity in Alberta. Propane and butane prices also rose significantly through the year as they tracked rising crude oil and natural gas values.

In 2000, Shell began marketing its first Sable propane and butane production by truck and rail from Point Tupper, Nova Scotia, to local Atlantic and northeastern U.S. markets.



Ray Woods

Senior Operating Officer
Resources

RESOURCES HIGHLIGHTS

(\$ millions except as noted)	2000	1999	1998
Revenues	1 449	1 032	741
Earnings	536	500	169
Capital employed	1 408	1 360	1 816
Capital and exploration expenditures	254	488	509
Return on average capital employed (%)	38.7	31.5	9.6

Demand for conventional condensate remained strong throughout most of 2000, resulting in premiums over light crude oils. Condensate is used mainly to dilute bitumen and heavy crude oils. Increases in the production of bitumen and heavy crude led to higher demand. At the same time, a decline in production from conventional sources, primarily condensate-rich natural gas wells, added to the tight balance between supply and demand.

Sulphur Shell's sulphur sales volumes remained strong throughout 2000 despite increased supply from the Middle East and the former Soviet Union. Sales volumes in 2000 were close to 1999 overall as Shell expanded sales in growth markets such as China and Australia to offset declines in other markets.

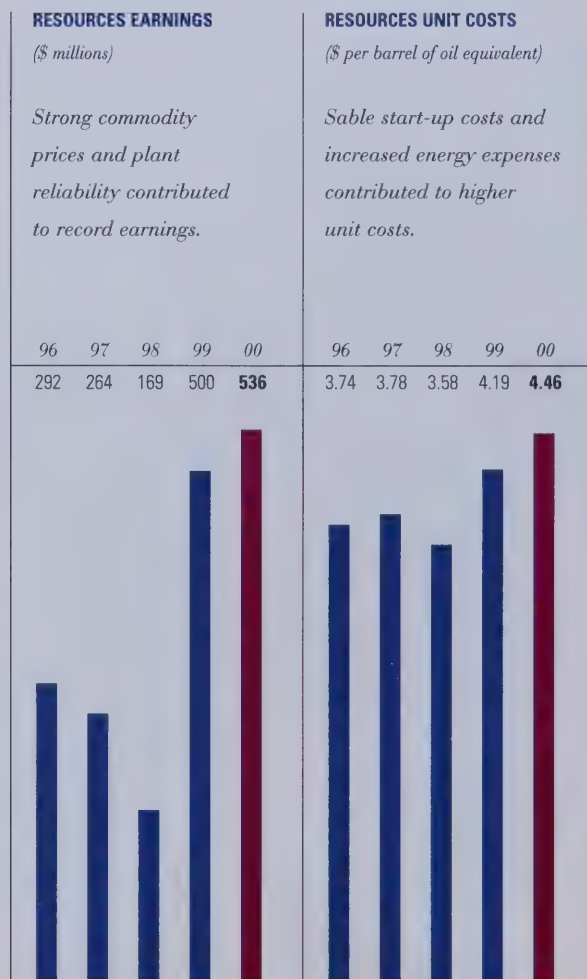


FOOTHILLS

Exceptional reliability and first quartile average unit costs for Foothills operations allowed the Company to capitalize on strong commodity prices. Shell continues to invest in a number of attractive exploration and development opportunities in and around its existing fields and infrastructure.

Waterton After Shell received regulatory approval early in the year, the first of four Castle River wells was drilled in 2000. First production from this well began in December. Drilling of the next well will start in spring 2001 so as not to disrupt elk wintering patterns.

In 2000, Shell undertook a large three-dimensional (3-D) seismic survey at the north end of the Carbondale field near Waterton. The data acquired will show if there are any new reserve potential and drilling prospects.



Jumping Pound Drilling continued in the Jumping Pound area, west of Calgary. Production from these wells, combined with production from Wildcat Hills, has helped to maintain throughput in the Jumping Pound plant.

Jumping Pound was the first of Shell's four Foothills natural gas plants to receive ISO 14001 registration in December 2000. ISO 14001 accreditation certifies that systems and processes are in place to minimize or reverse potential environmental impacts. The other plants will pursue registration in the first half of 2001.

Caroline The Caroline complex reported record throughput of raw gas in 2000. Running at an average 118 per cent of its initial design capacity, the average daily throughput was more than 355 million cubic feet per day (mmcf/d) of raw gas. Although raw gas production will hold steady for a number of years, condensate volumes have started to fall due to diminishing condensate content in the raw gas stream.

An active member of Caroline's neighbouring community of Sundre, Shell was instrumental in the creation of the Sundre Petroleum Operators Group (SPOG) in 1992. SPOG comprises 30 industry member companies and 30 community representatives. They work with landowners, municipalities and special interest group representatives to help identify and resolve issues pertaining to oil and gas development. SPOG working groups are responsible for emergency response, environmental issues and community affairs. Both the Alberta Energy and Utilities Board and the Alberta premier have promoted SPOG as a model for developing positive relations between communities and industry in the province.

Limestone Shell has continued an active drilling program in the Limestone area. Two wells were drilled in 2000. A large compression installation is under construction and is expected to be operational early 2001. In 2000, the Limestone field achieved its highest production rate in the past five years.

Burnt Timber/Panther The Burnt Timber plant reached capacity in 2000 with the connection of third party gas to the facility. Supported by the current business environment, Shell is pursuing a potential opportunity for a large investment program to develop more fully the Panther field's significant reserves.



Exploration In 2000, the Foothills exploration team again focused on finding deep gas reserves using joint ventures and leveraging Shell's extensive seismic database, technical expertise and gas processing infrastructure. The Company acquired an interest in more than 26,000 hectares of Crown and freehold mineral rights and 500 square kilometres of 3-D seismic. Shell will drill a number of prospects throughout 2001.

PEACE RIVER

In 2000, Shell's Peace River in-situ oil sands operation continued to see encouraging results from its soak radial well technology. In soak radial wells, multiple horizontal arms extend from a single vertical well bore. Using a method called "huff 'n' puff," high temperature (330°C) steam is injected into the reservoir for two months. Later, the reverse action lasts from six to 18 months when hot oil is pumped to the surface through the well's same horizontal arms.

Based on the continuing success of this technology and using a conservative estimate of future prices, Peace River embarked upon a \$50 million, 18-well investment program in 2000. If the initial program is successful and the economics remain satisfactory, additional drilling will fill the plant to its licensed capacity of 12,000 barrels per day by the end of 2002. The first set of wells in the program will be operational in 2001.

The soak radial production technology will also result in a reduction in greenhouse gas emissions by about 20 per cent from 1990 levels when Peace River is operating at full capacity.

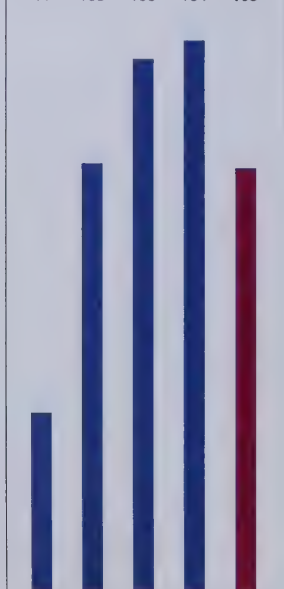
The Peace River reservoir holds an estimated 10 billion barrels of bitumen.

SABLE GAS PRODUCTION SHELL SHARE ONLY

(millions of cubic feet per day)

Sable demonstrated its ability to produce at full capacity late in the fourth quarter.

Q1	Q2	Q3	Q4	Yr
44	105	130	134	103



FRONTIER

Sable Area The Sable Offshore Energy project came on stream December 31, 1999, and natural gas production increased steadily throughout 2000. Sable demonstrated its ability to produce at full capacity of 510 mmcf/d late in the fourth quarter after the Halifax, N.S., and Saint John, N.B., pipeline laterals came into service. Sable is expected to operate near capacity in 2001, contingent upon facility reliability and market availability. The deep cut unit, which cools the gas stream to maximize the recovery of liquids from the gas, was commissioned in December 2000. The increased production and strong market value for the natural gas and liquids have helped Sable to make an important contribution to Resources earnings.

In 2000, exploration drilling began on licences in the Sable sub-basin and will continue in 2001. Shell had a 40 per cent interest in one exploration well on the Emma prospect, which was abandoned as dry. A second exploration well, which started drilling on Adamant in late 2000 (45.5 per cent Shell share), was also declared dry in January 2001. Shell holds interests in 314,000 hectares of exploration lands in the Sable sub-basin and anticipates further drilling in 2001 and beyond. The Company is considering opportunities to expand Sable production to about 630 mmcf/d by connecting other proved reserves in the area. Related engineering work is under way.

Deep Water The deep water acreage south of Sable Island is a high-risk area, but one which could bring great rewards if successful. A 3-D seismic survey covering Shell's prime acreage began in 2000 and is scheduled to be completed in 2001. Based on the results, Shell will decide, probably in 2002, whether or not to drill an exploratory well.

Mackenzie Delta In February 2000, Shell and other members of an industry producers group announced that they would study the feasibility of developing the natural gas reserves in the Mackenzie Delta, Northwest Territories. Shell owns the Niglintgak gas field, which has estimated reserves of one trillion cubic feet of natural gas. The study is examining the environmental, fiscal, regulatory, social and stakeholder issues associated with potential development. Early results have been encouraging enough to merit the advancement of conceptual engineering and baseline environmental work.

Shell acquired the rights to explore on a 75,650 hectare land parcel in the Mackenzie Delta land sale in August 2000. A 3-D seismic program started in early 2001 to assess the acreage and help shape subsequent exploration plans.



THE OFFSHORE CENTRAL FACILITIES collect raw gas from three producing fields. Once treated, the gas flows through a 225-km subsea pipeline to the Goldboro gas plant where it is further processed to meet the gas pipeline sales gas specifications. Natural gas liquids removed from the gas go to the Point Tupper plant, which separates them into propane, butane and condensate.

Natural gas not sold to Canadian markets is exported to the northeastern United States. Propane, butane and condensate are also sold to domestic and U.S. markets.

EXPLORATION PROGRAM COSTS

Shell's exploration program in 2000 totalled \$75 million compared to \$73 million in 1999. Exploration activities again focused on seismic and drilling programs on selective plays offshore Nova Scotia, in the Foothills of Alberta and the Mackenzie Delta.

LOOKING AHEAD

Resources strategy is to continue to be a leader in profitability and profitable growth. The upstream business unit's 2001 strategy is to:

MAKE THE MOST OF EXISTING

ASSETS by maintaining the principles of operational excellence, and continuing to explore and develop opportunities in the Foothills and Sable areas.

LOOK FOR NEW BUSINESS

OPPORTUNITIES, including further development at Peace River and innovative technology leading to unconventional hydrocarbon recovery.

GROW SHELL'S EXISTING BUSINESS

offshore Nova Scotia, at Peace River and in the Mackenzie Delta.

RENEW COMMITMENT TO SUSTAINABLE DEVELOPMENT

by focusing on public consultation, energy efficiency and greenhouse gas management.

NATURAL GAS COMPLEXES

SHELL HAS FOUR NATURAL GAS PROCESSING FACILITIES in the Foothills area of Alberta. These facilities range in age from Jumping Pound, which will celebrate its fiftieth anniversary in 2001, to Caroline, which came on stream in 1993. Exceptional reliability at all of these plants contributed to record earnings in 2000.



2001 CAPITAL AND EXPLORATION INVESTMENT

Resources plans to spend \$359 million for capital investments in 2001 compared to \$254 million in 2000. Plans are to continue investing in the Frontier areas, the Foothills and Peace River.

In the Frontier, \$142 million of planned investment will allow for potential expansion of the Sable project and continued seismic recording on the Nova Scotia slope and in the Mackenzie Delta. At the same time, a budgeted investment of \$165 million will support exploration and development in the Foothills. Resources plans to invest an additional \$40 million to expand the Peace River drilling program started in 2000 with a view to filling the plant. The balance of the spending program relates to marketing and information and technology.

established natural gas business

funds growth





the largest investment in the company's history

Shell and its two joint venture partners formally approved the Athabasca Oil Sands project (AOSP) December 6, 1999. Shell Canada Limited owns 60 per cent of the project while Western Oil Sands L.P. and Chevron Canada Limited each owns 20 per cent. The AOSP includes:

THE \$1.8 BILLION MUSKEG

RIVER MINE located 75 kilometres north of Fort McMurray, Alta., to be operated by Albian Sands Energy Inc.

THE \$1.7 BILLION SCOTFORD

UPGRADER adjacent to Shell's Scotford refinery, north of Fort Saskatchewan, Alta., to be operated by Shell.



Shell's \$2.1 billion share of the joint venture project will be the largest investment in the Company's history. Facilities related to the AOSP include:

THE \$400 MILLION MODIFICATIONS
to Shell's Scotford refinery.

THE \$37 MILLION ATCO GAS
natural gas pipeline to the
Muskeg River mine.

A \$250 MILLION HYDROGEN
MANUFACTURING UNIT at the
Scotford upgrader, financed
by a capital lease.

THE \$600 MILLION CORRIDOR
PIPELINE, which will carry
diluted bitumen from the Muskeg
River mine to the Scotford
upgrader and return recycled
diluent to the mine. Corridor
Pipeline Limited, a wholly owned
subsidiary of B.C. Gas Inc.,
will make this investment.

ATCO POWER'S COGENERATION
FACILITIES at the mine and
upgrader, which represent
investments of \$200 million
and \$140 million respectively.

The joint venture established a new company called Albion Sands Energy Inc., which will operate the mine and extraction plant. Shell will operate the upgrader.

At full production, the Muskeg River mine is expected to produce 155,000 barrels per day (bpd) of bitumen and Albion Sands will employ more than 500 people. Diluted bitumen will flow through the Corridor pipeline to the Scotford upgrader. The Scotford upgrader, employing about 300 operating staff, will remove the diluent and convert the bitumen and additional purchased feedstock into a range of premium synthetic crude oils using hydrogen addition technology. The upgrader is designed to produce 190,000 bpd of synthetic crude oil, including 6,000 bpd from the hydrogen addition. Modifications to the Scotford refinery will enable it to process about half of the crude oil produced from the Scotford upgrader, with the remaining production being shipped to other refineries in Canada and the United States.

STATUS TO THE END OF 2000

Significant progress was made on the project in 2000. A notable achievement was completion of five million hours with a lost time frequency of less than 0.1. As well, all major equipment was ordered for both the mine and the upgrader in 2000 and is expected to be delivered on schedule.

Following completion of the mine's rough site grading in April 2000, a construction camp capable of housing more than 1,700 people opened in May. Albion Sands employees moved into their new administration building in December. Construction of the ore silos and site tankage progressed well at the extraction plant and erection of the primary separation cells began. In addition, initial excavations and construction of the tailings dike started at the mine site. Engineering for the mine was 62 per cent complete and overall site construction was 22 per cent complete.

Underground piping was completed at the upgrader site to allow access for the major equipment in 2001. By year-end, over 9,000 piles were completed and all critical foundations were poured. Two shipments of reactors and heavy-wall vessels arrived at site by special rail after being carried by ship from Japan to Duluth, Minn. Field welding of the first vessel components began in October 2000. The reactor vessels will be set in place early 2001. At the Scotford upgrader site, two-thirds of engineering work was completed comfortably ahead of construction, which is on schedule.

Shell's share of capital expenditures during the year was \$606 million, excluding Scotford modifications.



Neil Camarta
*Senior Vice President
Oil Sands*

In preparation for operations, the joint venture has assembled teams to develop operating systems and procedures and to train staff. A well developed, integrated start-up plan for all aspects of the project is crucial. The project and operating teams are developing detailed plans to minimize the duration of start-up. Construction and planning in 2000 has kept the AOSP on track for start-up in late 2002.

SUSTAINABLE DEVELOPMENT

The AOSP continues to work with stakeholders to achieve a sustainable development. Years of extensive consultation and negotiation with Aboriginal neighbours and community leaders have led to the implementation of a number of important agreements and environmental management commitments. These will allow the AOSP to create economic prosperity without compromising environmental and social responsibilities.

The Environment New technology and innovative features are designed to minimize the environmental impact of the Muskeg River mine and the Scotford upgrader. The upgrader's hydroconversion technology will increase process yield and eliminate coke as a byproduct, while integration with the Scotford refinery will promote energy efficiency. The resulting low-sulphur, low-aromatic crude oil should enable refiners to meet future environmental fuel specifications more easily. Shell is also participating in a regional air monitoring network.

AOSP IS ONE OF THE LARGEST CONSTRUCTION PROJECTS IN THE WORLD. HOW BIG IS IT?

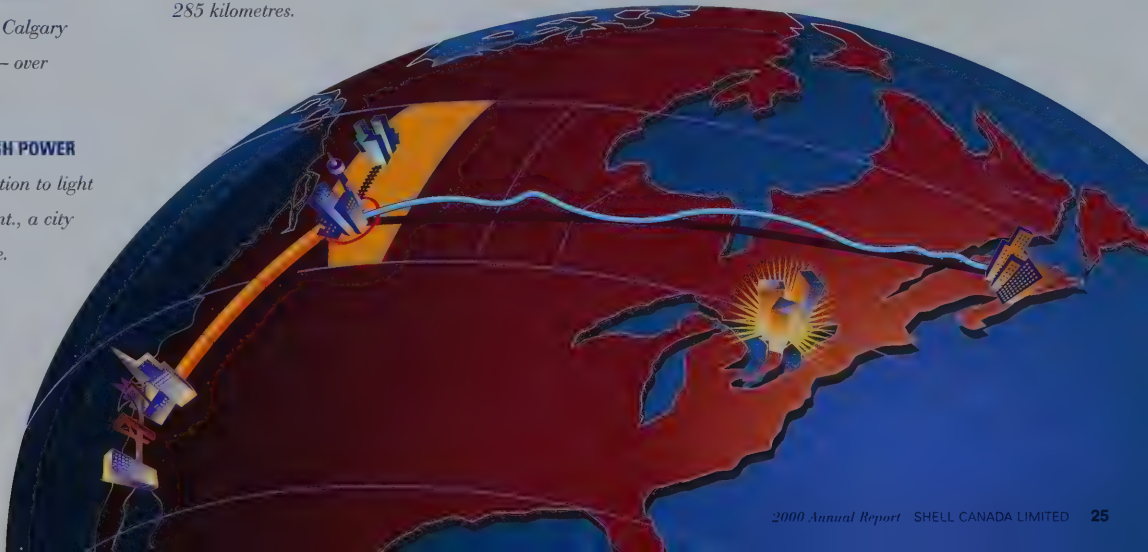
WILL PRODUCE 10 PER CENT
of Canada's crude oil needs.

**CONTAINS ENOUGH PIPE
TO STRETCH** *from Calgary*
to San Francisco – over
1,600 kilometres,

PRODUCES ENOUGH POWER
through cogeneration to light
up Burlington, Ont., a city
of 136,000 people.

CONTAINS ENOUGH STEEL *to*
make a railway track from
Calgary to Edmonton –
285 kilometres.

CONTAINS ENOUGH CABLE
to stretch from Calgary to
Halifax, N.S. – 3,400 kilometres.



When Shell filed the project applications with regulatory authorities in 1997, the plan estimated that carbon dioxide emissions would be 4.8 million tonnes per annum (Mtpa). By project launch in 1999, design improvements had cut projected emissions by 27 per cent to 3.5 Mtpa, and an advisory panel of national and international experts is helping the AOSP to cut even more. The new goal is an additional 50 per cent reduction, which will bring anticipated emissions to 1.75 Mtpa by 2010. When this is achieved, products made from the AOSP synthetic crude oil will have fewer emissions than those made from imported crude.

Reclamation and land use planning will incorporate extensive community involvement. A phased reclamation plan will restore the excavated mine site to a stable landscape as the mining work is completed.

The Community By the end of 2000, the AOSP had awarded more than \$40 million in contracts on a competitive basis to local Aboriginal businesses. Also in 2000, the project team established a number of community-based initiatives that focused on education, employment and retention of culture. These include an agreement signed with industry and the five First Nations of Wood Buffalo to provide \$1.3 million annually for programs in the First Nations communities.

LOOKING AHEAD

Project execution will be the main focus in 2001. The project team will complete detailed engineering for both the mine and upgrader. Primary separation cells, the raw water intake pipeline and pumping facilities at the mine's extraction plant are scheduled to be mechanically completed. The sulphur recovery unit and hydrogen manufacturing unit at the upgrader are also scheduled for mechanical completion.



Oil Sands is aggressively managing key risks to the cost estimates and construction schedule. In 2000, a detailed review of the project's downstream components (the Scotford upgrader, the Scotford refinery modifications and associated third party facilities) indicated a potential increase of 10 per cent over the original downstream cost estimate. A similar review of costs for the Muskeg River mine is under way. The upward pressure on costs arises from increasing domestic and international construction activity. With completion of the detailed engineering at the Muskeg River mine and the Scotford upgrader, activities at the two sites will require a peak workforce of about 7,000 in the third quarter of 2001. Oil Sands is taking extensive measures in engineering, procurement and, especially, construction to mitigate the effects of rising costs and to keep the upstream and downstream projects on schedule for start-up late 2002.

CAPITAL INVESTMENT

Shell has planned capital expenditures of \$1.1 billion for the joint venture project in 2001. In addition, Shell Canada Products plans to spend \$177 million on related Scotford refinery modifications.



building a
sustainable development



reliability and customer service



Oil Products earnings were a record \$340 million in 2000 compared to \$141 million in 1999. The increase was due mainly to the rise in wholesale prices for gasoline and diesel caused by a North American shortage of finished petroleum products. This shortage persisted throughout the year and kept refining margins well above 1999 levels. Oil Products return on average capital employed was 19.6 per cent compared to 8.2 per cent in 1999. Capital expenditures were \$279 million, including \$147 million for modifications to the Scotford refinery, compared to \$109 million in 1999.



Oil Products profitability was due mainly to the earnings contributed by Manufacturing and Supply. The continuing high demand for manufactured petroleum products was one of the main reasons for this success. Other important factors were the high manufacturing yields at all three Shell refineries and consistency in buying crude oil with the right chemical composition for optimal refinery performance at the lowest possible price.

MANUFACTURING, SUPPLY AND DISTRIBUTION

Cost Efficiency and Reliability Careful cost management ensured that operating expenses remained at the first quartile levels achieved in the 1998 Solomon industry benchmark survey. Reliability and production at the Montreal, Sarnia and Scotford refineries remained high throughout 2000. North American demand for gasoline and diesel consistently pushed manufacturing wholesale margins well above historical levels.

Oil Products distribution network continued to lower the costs of handling and distributing bulk product. The closure of two distribution terminals at Belledune, N.B., and Lewisporte, Nfld., reduced finished product inventory while agreements with other industry partners secured the supply of product. Throughput at Toronto's Keele Street terminal doubled in 2000 as a result of a long-term agreement with a third party. Terminal operating costs across the Shell Canada Products network remained in the first quartile of North American benchmarking studies.

OIL PRODUCTS UNIT COSTS

(¢ per litre)

Unit costs stayed at the same low level as previous years in spite of upward pressures.

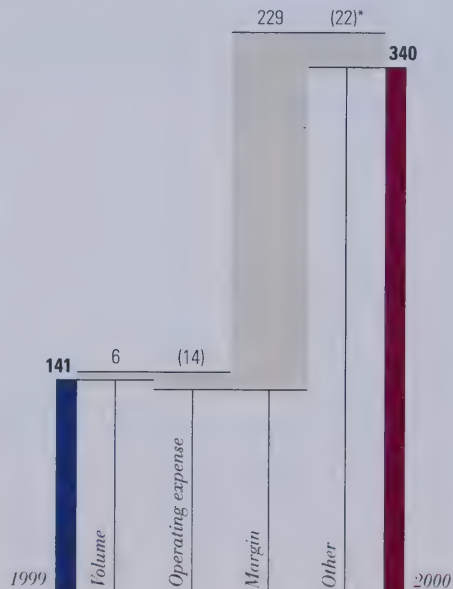
96	97	98	99	00
4.9	4.7	4.7	4.7	4.7



OIL PRODUCTS EARNINGS

(\$ millions)

The margin on manufactured finished product was the major component of the earnings increase over 1999.



* 1999 included a \$30 million gain from Athabasca Oil Sands partner fees.

Scotford refinery suffered two unplanned shutdowns due to quality problems with its supply of synthetic crude oil. These problems resulted in excessive dirt in the hydrocracker units and it was necessary to replace the fouled catalyst.

Scotford Modifications The \$400 million modifications to Shell's Scotford refinery will enable the refinery to use lower cost feedstock and improve profitability. The feedstock will come from the Scotford heavy oil upgrader, which is under construction. The refinery modifications started in 2000 and completion is scheduled for mid-2002.

Product Reformulation Federal regulations approved in 1999 require the sulphur content in gasoline to be reduced to an average of 150 parts per million (ppm) between 2002 and the end of 2004, and to 30 ppm by January 2005.

Montreal and Sarnia refineries are on track to meet these regulatory requirements. The front-end engineering and design work has been completed and the process technology vendor selected. This project will cost between \$100 million and \$150 million for both refineries. Shell's Scotford refinery already meets the federal regulations.

RETAIL

Competition for retail gasoline sales intensified in 2000. Overall, Retail's fuel sales margin fell largely because it was not possible to pass on the full increase in wholesale costs of gasoline and diesel at the pump. Market share in the major urban markets for retail and automotive gasoline dropped slightly from 1999 to an average of 18.8 per cent.

SCOTFORD MODIFICATIONS

BITUMEN FROM THE MUSKEG

RIVER MINE, about 450 kilometres north of Fort Saskatchewan, Alta., will be processed in the new upgrader, which in turn, will supply feedstock to the modified Scotford refinery.

THE NEW FEED WILL BE HEAVIER

than the crude oil that Scotford refinery now processes, and will contain higher levels of sulphur, nitrogen and naphthenic acid.

THE MODIFICATIONS WILL ALLOW

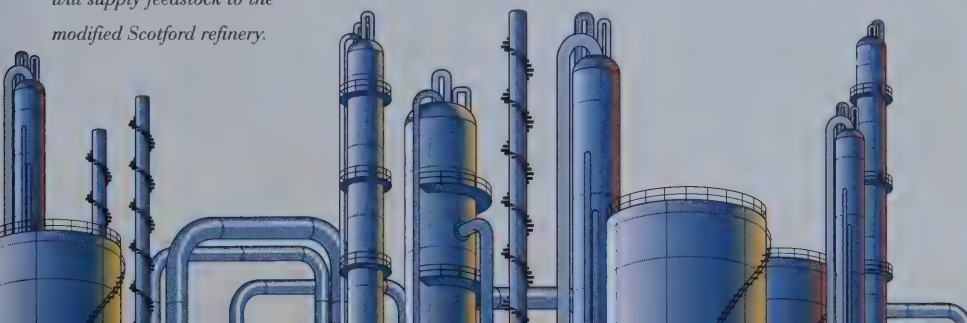
the removal of sulphur and nitrogen from the feed and the addition of more hydrogen.

APPROXIMATELY 1,100

CRAFTSMEN WILL WORK on the modifications at peak construction in 2001.

WHEN THE MODIFICATIONS

ARE COMPLETE, a shutdown is planned in 2002 so that 2,300 workers can connect the units and perform scheduled refinery maintenance.



Operations continued to focus on customer satisfaction in 2000. Shell was in its eighth year as a member of the AIR MILES® reward program, which remains very popular with customers. More than 65 per cent of Canadian households have joined the AIR MILES® program.

Retail Network Retail boosted site throughput and decreased operating expense by developing new sites, closing low-performing sites and upgrading existing locations to the new retail image. In 2000, the Company added 12 new Shell-branded sites to the network and converted 28 Company- and dealer-owned sites to the new image standard. There were 1,940 Shell retail sites at year-end, including 200 private-brand. The total compares to 2,072 sites at the end of 1999, of which 1,833 were Shell-brand and 239 were private-brand. Average throughput at Shell-controlled sites was 3.79 million litres per site in 2000 compared to 3.64 million litres per site in 1999.

Non-petroleum Products and Services Non-petroleum products and services played an increasingly important role in Retail's overall profitability. The emphasis on one-stop shopping includes the food and car wash businesses. Food store revenues grew by 13.6 per cent over 1999 as Shell introduced the "Select" brand to 40 more stores in 2000. Car wash sales exceeded the 1999 performance but remained below target. Overall, sales of non-petroleum products and services in 2000 increased by 10 per cent over 1999.

Quick and Convenient Fuelling Shell relaunched its easyPAY™ program in Calgary in late 2000 when the easyPAY™ key tag changed to incorporate a more reliable and cost-effective technology. EasyPAY™ customers use a key tag that activates the pump, credits their AIR MILES® account and automatically charges the pump purchase to their chosen credit card, all without entering the store. The easyPAY™ relaunch coincided with the launch of Shell's first consumer e-business application. This application enables the consumer to apply securely on-line for the easyPAY™ key tag.

® Trademark of AIR MILES International Holdings N.V. Shell Canada Products Limited and Shell Canada Products are authorized users.

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John Wills
Senior Operating Officer
Oil Products

OIL PRODUCTS HIGHLIGHTS

(\$ millions except as noted)	2000	1999	1998
Revenues	6 740	4 480	3 885
Earnings	340	141	275
Capital employed	1 814	1 651	1 766
Capital expenditures	279	109	171
Return on average capital employed (%)	19.6	8.2	15.7

COMMERCIAL

Shell's commercial business sells branded products in the agricultural, industrial, transportation and home heating sectors. It also markets unbranded products to other gasoline retailers and commercial distributors.

In 2000, Commercial again pursued operating efficiencies and reduced expenses to counteract low margins. The margins on diesel fuel and heating oil, which represent the bulk of Commercial sales, remained compressed throughout the year. Commercial continued to improve its network efficiency by increasing average throughput per site and closing low-performing sites.



Agency and Road Transport Network restructuring and volume growth increased average throughputs across Shell's agricultural (agency) and road transport (cardlock) networks by 15 per cent. In 2000, Shell reduced the number of agency bulk plants to 62 from 81 in 1999 and cardlock ACCESS facilities to 101 from 110.

Aviation Aviation fuel sales were 1,705 megalitres in 2000 compared to 1,858 in 1999. The drop in sales was due mainly to the consolidation of Canada's two major air carriers in 2000. The sale of four aerocentres to Piedmont Hawthorne Holdings Inc. was completed in January 2000. The sites were co-branded Shell, and Shell has maintained its fuel presence at all four locations.

Lubricants The Brockville lubricant plant increased production by 20 per cent as a result of new blending and packaging contracts, including new contracts for the production of third party lubricants. A successful two-year cost reduction exercise and the plant's focus on continuous improvement were the main reasons for this achievement. Obtaining more contracts is an important part of Brockville's drive to achieve best-in-class unit cost production.

SUSTAINABLE DEVELOPMENT

Oil Products maintained its commitment to sustainable development, as shown by a number of achievements in 2000. ISO 14001 registration was granted to the Montreal and Scotford refineries and to Shell's two lubricants plants in Calgary, Alta., and Brockville, Ont. Sarnia refinery will apply for registration in 2001.

For the second consecutive year, the Company introduced an additive into all Shell gasoline sold in southern Ontario during the summer of 2000. The additive reduces vehicle tailpipe nitrogen oxides (NO_x) emissions. This initiative is part of a pilot emissions reduction trading program administered by the Ontario Ministry of Environment. The program granted marketable NO_x emissions reduction credits to Shell based on a protocol that was reviewed and approved by an emissions trading assessment team.

On Canada's West Coast, Oil Products gave more than \$20,000 to British Columbia's Pacific Salmon Foundation. The first donation in a three-year partnership with the foundation, the amount was based on retail fuel sales on Vancouver Island and sales of the Nautilus™ premium marine lubricant throughout British Columbia.



LOOKING AHEAD

Oil Products goal is to achieve and sustain a 15 per cent return on average capital employed. Its strategic direction will continue along the path of operational excellence and selective investment in profitable growth opportunities. Safety and environmental performance will remain a focus for continuous improvement. Oil Products key strategies in 2001 will be:

CONTINUE WITH THE SCOTFORD MODIFICATION *project in preparation for a 2002 start-up.*

OPTIMIZE REFINING YIELDS, *further improve plant reliability and reduce unit operating expenses.*

IMPROVE THE EFFICIENCY *of the retail and commercial networks and reduce unit operating costs.*

RENEW COMMITMENT *to sustainable development, including improved energy efficiency and stakeholder communication.*

INCREASE CUSTOMER FOCUS *through innovative products and services, operational excellence and the quality of the Shell brand.*

CAPITAL INVESTMENT

Oil Products plans capital expenditures of \$343 million in 2001. Of this total, \$177 million will fund Scotford refinery modifications that will enable Shell to take advantage of lower cost feedstock from the Scotford upgrader. The downstream business will invest \$85 million in other refinery and distribution projects and \$81 million in its marketing networks. Of the total \$343 million, \$193 million is budgeted for growth and profitability and the remaining \$150 million will support the asset integrity of existing facilities.





investment in
company and community

Shell's Corporate expenses were \$18 million in 2000 compared to nil in 1999. However, when one-time gains were excluded, expenses for 1999 were \$49 million. The drop to \$18 million from \$49 million was due mainly to higher interest income from larger cash balances.



FINANCING ACTIVITIES

Capital expenditures increased to \$1,153 million in 2000 from \$715 million in 1999. Shell invested most of the 2000 total in the development of the Athabasca Oil Sands project (AOSP). Cash holdings and cash from operations financed capital expenditures. Cash and short-term securities were \$752 million at year-end 2000.

The Company, along with two other parties, entered into a debt arrangement for the construction of a hydrogen manufacturing unit to support the AOSP. A syndicate of banks will grant credit up to \$265 million, plus another \$25 million for any cost overruns. The unit, to be located at the Scotford upgrader site, will be commissioned in mid-2002. When construction is complete, the financing arrangement will convert to a long-term capital lease. Shell's share of the outstanding obligation at year-end was \$38 million.

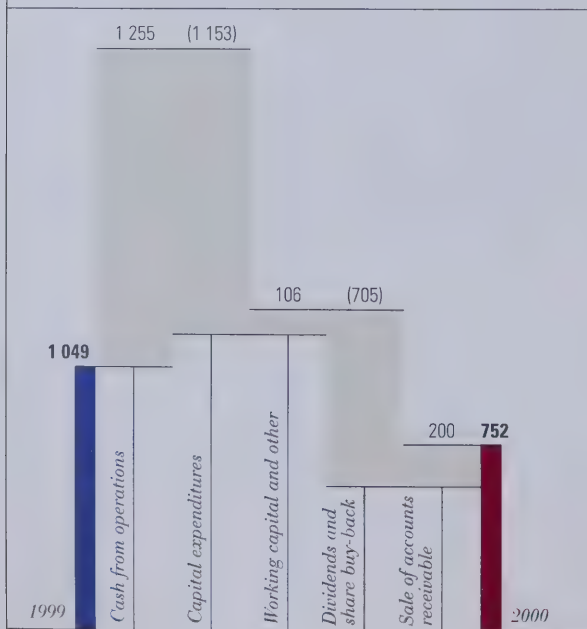
Shell maintained its high rating with all the major credit rating agencies, reflecting the Company's financial strength. Debt as a percentage of capital employed was 11.3 per cent at year-end. This percentage includes \$300 million US of long-term debt, which matured in January 2001.

In November 2000, the Board of Directors approved a \$350 million accounts receivable securitization program. As part of this program, Shell sold \$200 million of trade receivables in December.

2000 CASH MOVEMENT

(\$ millions)

Cash from operations and existing cash holdings financed Shell's investments and share buy-back.



At year-end, the Company had a commercial paper facility of \$750 million backed by \$100 million in committed lines of credit available to fund any temporary cash requirements. No commercial paper was outstanding at December 31, 2000.

In May 2000, Shell announced its intention to make a normal course issuer bid to repurchase for cancellation up to five per cent of its 289 million Common Shares. At completion of the bid in September, Shell had repurchased the maximum number of shares allowed (14,358,509) at market prices for a total cost of \$489 million.

Shell paid dividends of \$0.76 per Common Share in 2000, up from \$0.72 per share of dividends paid in 1999. Return on average shareholders' equity was 22.1 per cent compared to 17.7 per cent in 1999. A summary of the quarterly financial and stock-trading information appears on page 75.

Operating Earnings Sensitivities *(after-tax)**Increase (Decrease)*

Western Canada natural gas <i>(AECO)</i>	10-cent Cdn increase per thousand cubic feet	\$ 6 million
Sable natural gas <i>(Henry Hub)</i>	10-cent US increase per thousand cubic feet	\$ 4 million
Condensate <i>(West Texas Intermediate)</i>	\$1 US increase per barrel	\$ 4 million
Bitumen <i>(West Texas Intermediate)</i>	\$1 US increase per barrel	\$ 1 million
Sulphur	\$1 Cdn increase per tonne	\$ 1 million
Light oil sales margin	1/4-cent Cdn increase per litre	\$ 20 million
Exchange rate	1-cent improvement in \$Cdn vs. \$US	(\$ 14 million)

ACCOUNTING RECOMMENDATIONS

A new Canadian accounting standard for income taxes became applicable to fiscal years beginning in 2000. Shell adopted this new standard retroactively in 2000, without restatement of financial statements for prior periods. The change has been reflected as a \$61 million adjustment to the opening balance of retained earnings in the consolidated financial statements.

RISK MANAGEMENT

The major risks to Shell Canada are in project execution, operations, marketing, exploration and development, finance, and health, safety and sustainable development. The Company systematically assesses risk on the basis of how likely it is to occur and its potential impact. Shell applies appropriate techniques to manage risks.

Project Execution There are many risks involved in executing major projects, such as Shell's Oil Sands development. Factors beyond Shell's control, such as availability of resources and product prices, may affect timing, cost or scope of the project. To mitigate this risk, project plans are flexible, allowing for contingencies. Shell identifies project objectives and critical success factors, and measures progress toward targets.



Operations Operating risk is the uncertainty of future earnings as a result of operating

upsets and failure to meet production commitments. Shell's large, diversified mix of production facilities reduces this risk. Enhanced engineering design during facility planning and construction increases asset reliability. Extensive preventive maintenance and continuous review of asset integrity minimizes operating risk. The Company also retains highly trained and experienced operating staff.

Marketing Marketing risk results from the potential for disruption in supply, inability

to access markets, failure of customers to pay (credit risk) and fluctuations in commodity prices. Shell has many different supply and transportation arrangements to ensure market access. To manage credit risk, the Company targets creditworthy customers. Oil Products and Resources each manage commodity price risk using appropriate risk management tools within the limits set by the Board of Directors.

Exploration and Development The major risk in exploration is whether the basin

explored contains commercially viable volumes and whether the wells drilled will be discoveries. The Company reduces risk by using modern tools such as 3-D seismic surveys and by applying risk analysis techniques to investment evaluations. Having a diverse portfolio of exploration opportunities and existing assets further reduces the risk.

Finance Financial risk results from fluctuations in currency values and interest rates,

and from serious losses due to accidental causes. Shell uses risk management instruments to manage its exposure to these risks.

Currency risk is the uncertainty to which earnings are exposed due to fluctuations in foreign currency exchange rates. Shell has some commodity transactions priced in non-Canadian currency, mainly U.S. dollars. To manage short-term exposure, foreign currency cash flows are netted across operations each month. Foreign exchange exposure for large capital transactions is managed on an individual basis separate from daily operating cash flows. Shell uses hedges to reduce currency exposure of capital costs for the AOSP and Peace River.

Interest rate risk arises from fluctuations in interest rates and their effect on interest expense. Both debt levels and the extent to which debt interest is based on floating rates affect exposure to interest rates. Four interest rate swap arrangements, which changed the exposure on the debt from fixed to floating rates, totalled \$250 million US and were outstanding at the end of 2000.

Shell uses risk control and risk financing techniques, including insurance, to protect the Company against serious losses from accidental causes.



Steinar Støtvig
Chief Financial Officer

Health, Safety and Sustainable Development (HSSD) HSSD risks are a critical exposure for Shell's business. To prevent or minimize these risks, the Company has a comprehensive HSSD management system focused on managing hazards and effects. Shell maintains standards, procedures and training programs, completes audits and monitors performance. Reducing the number of Company-owned sites for the production, distribution and marketing of hydrocarbons has reduced exposure to environmental risk. Site remediation is an important part of this rationalization program.

HEALTH, SAFETY AND SUSTAINABLE DEVELOPMENT

Safety Shell's overall safety performance in 2000 improved from 1999. Regrettably, there was one contract carrier road fatality in May. The total lost time injury frequency for employees and contractors was 0.13 per 200,000 work hours, a best-ever performance for the Company. In comparison, the overall Canadian industry average for lost time injury frequency in 1998 (the most recent statistic available) was 2.62. Another Company record was the frequency of total recordable injuries for employees and contractors of 0.99.

Safety Performance

	Lost Time Injuries	Frequency of Lost Time Injuries	Frequency of Total Recordable Injuries
2000			
Employees	3	0.09	0.26
Contractors	7	0.16	1.56
Combined	10	0.13	0.99
1999			
Employees	3	0.08	0.50
Contractors	15	0.78	3.55
Combined	18	0.33	1.55

In February, Shell received the WorkSafe 2000 Award from the Alberta Chambers of Commerce and the Workers' Compensation Board for the Company's efforts to prevent and manage workplace injuries and illnesses in 1999. The award recognizes injury prevention, disability management, employee training programs, employee wellness, and integrated health and safety initiatives.

Great emphasis was placed on improving contractor safety within Shell's operations in 2000. In particular, the dedication of all those connected with the AOSP resulted in an outstanding safety performance for major construction projects of this kind.

Shell achieved several safety milestones in 2000. Both Montreal East refinery and Albion Sands' Muskeg River mine completed one million hours without a lost time injury. Calgary Research Centre completed 19 years without a lost time injury, Shellburn terminal achieved eight years and Sarnia manufacturing centre completed four years. Waterton gas plant employees travelled more than one million kilometres over almost two years without a reportable automotive accident.

The winner of the 2000 President's Safety Award was Jumping Pound Complex. This award recognizes the department or operating location with the most outstanding safety performance. Integrating safety into business improvement initiatives, Jumping Pound employees and contractors have continually improved their safety performance, with high levels of participation at all levels in their organization. Of particular note were the involvement of craft team coaches, development of leadership within work teams and positive interventions.



Greenhouse Gas Management Shell has set a target to reduce greenhouse gas emissions from its base businesses to 94 per cent of 1990 levels by the year 2008. Shell's energy efficiency measures have eliminated an estimated 915,000 tonnes per year of carbon dioxide emissions since 1995. However, overall growth of the business and increased energy demand to produce oil and gas from declining fields largely offset these gains. Emissions from base businesses were 70,000 tonnes below 1990 levels at the end of 2000.

The Shell Canada Climate Change Advisory Panel, which was established to help the Company develop and implement its greenhouse gas management plans, will examine Shell's commitments on climate change regularly and assess progress against those commitments.

Shell participates in a number of voluntary initiatives as a means to manage emissions. The Company continues to support the Voluntary Challenge and Registry Inc. program, the Canadian Association of Petroleum Producers' Environment, Health and Safety Stewardship group and the Accelerated Reduction/Elimination of Toxics program. In 2000, Shell joined the Clean Air Renewable Energy (CARE) Coalition program and the Action by Canadians on Climate Change program. All of these voluntary initiatives are designed to address climate change using consultation, education, disclosure and strategic development activities.

Renewable Energy In 2000, Shell conducted a strategic review of renewable energy opportunities in Canada covering wind, water and biomass. Efforts are under way to identify a commercially viable project that could help in reducing greenhouse gas emissions. In a three-year program, Shell has contracted to buy power from renewable energy sources to learn more about these emerging industries. Beginning late 2000, up to three million kilowatt hours per year of its electricity will come from wind power.



Health, Safety and Sustainable Development (HSSD) Management System

In 2000, Shell completed implementation of an HSSD management system, which is compatible with ISO 14001 requirements. Organizations registered under ISO 14001 have shown that they understand their effect on the environment and have in place a formal program to minimize or reverse this impact. Following extensive registration audits in 2000, five Shell facilities achieved ISO 14001 accreditation. The Company plans to register all its remaining gas plants and refineries by mid-2001.

The Company updated its health, safety and sustainable development objectives and targets in accordance with an annual review program. Shell's annual Progress Toward Sustainable Development report for 2000 will include these objectives and targets, and the corresponding results.

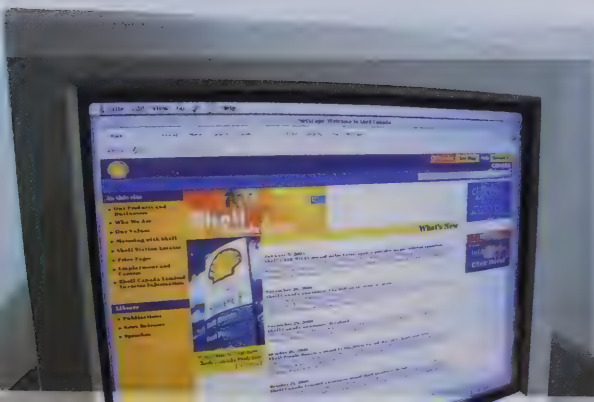
TECHNOLOGY AND ASSET INTEGRITY

Technology specialists provide the technical and engineering support necessary to secure the best performance from the Company's existing assets and new business opportunities. This support enables Shell to operate its refineries and gas plants safely and efficiently while mitigating any potential impact on the environment. The application of technical expertise and development of creative solutions to technical problems has resulted in significant cost savings. Access to the worldwide research and technical support capabilities of the Royal Dutch/Shell Group of Companies augments Shell Canada's capabilities.

e-BUSINESS

Shell defines e-business as "any activity that connects stakeholders to business systems via network technology." The Company has started to review and implement e-business opportunities within its core business strategies.

Shell Canada's first priority in 2000 was to improve its internal capability and develop the information technology infrastructure necessary to use e-business applications. The Company successfully piloted a system for the electronic procurement of materials, which will be rolled out to other supplier groups. The Company updated and relaunched its external Web site (www.shell.ca), providing better information and access for its visitors. Shell also piloted or implemented several customer-oriented Web applications.



COMMUNITY INVOLVEMENT

The Company donated a total of \$5.4 million, including gifts in kind, to not-for-profit organizations across Canada in 2000. The funds supported environmental and educational initiatives as well as local communities where employees, retirees and marketing partners live and work.

For more than 20 years, Shell has donated a total of about \$2.8 million of cash, land, mineral rights and staff time to the Nature Conservancy of Canada (NCC). The Conservancy provides long-term protection for ecologically significant areas through purchases, donations and conservation easements. In 2000, the Company helped the NCC to protect a 60 acre property on Pelee Island in southern Ontario, home to a number of rare plants and animal species. Shell funding also allowed the purchase of two unique properties in Nova Scotia. Francis Nose Island has been designated a wetland of international importance and the Nova Scotia government has designated the MacFarlane Woods a “Special Place.”

The Company invested more than \$1.9 million in educational programs in 2000, with about 55 per cent of this going to post-secondary institutions across Canada. Shell entered into a sponsorship agreement with the world-renowned Royal Tyrrell Museum of Drumheller, Alta. Together they launched the Shell Discovery Centre, a new activity centre for exploring science. In addition, the new Shell Discovery Van will take programming to schools and communities throughout Alberta.

By the end of 2000, the Shell Environmental Fund had granted almost \$8 million to some 3,000 projects since its inception 11 years ago. Most applicants in 2000 sought funding for environmental education, habitat conservation or naturalization (planting or encouraging native species). Shell also embarked on a partnership with Tree Canada called Greening Canada's School Grounds.

In 2000, Shell Canada contributed \$1.9 million to United Way campaigns across the country. The Company matched the money raised by employees and retirees, and the national total included a Shell-record donation of just under \$1.4 million to the Calgary and area campaign. Shell donors included 226 Leaders of the Way who contributed \$1,000 or more and some 570 volunteers gave over 3,000 hours to support United Way agencies in their communities.

HUMAN RESOURCES DEVELOPMENT

Shell Canada's commitment to building a reputation founded on sustainable development and embodied in ethical business principles supports the Company's efforts to attract and retain committed, motivated and highly skilled employees. The Company tries to provide a workplace that supports diversity and encourages mutual respect, where people are treated fairly on the basis of merit. Shell also tries to train, develop and reward employees appropriately. The annual employee survey, with results benchmarked against other companies, continues to provide Shell with the opportunity to identify employee concerns and continuously improve the work environment. In 2000, an independent survey selected Shell Canada as one of "Canada's Top 100 Employers."

Management encourages the development of accountability systems that promote responsibility and decision making at all levels. A performance management system throughout the organization aligns individual activities with the overall corporate direction. Employees share in the Company's success through a results pay system, which takes into account annual earnings and Shell's overall profitability compared to the other major integrated oil companies.



To the Shareholders of Shell Canada Limited

The management of Shell Canada Limited is responsible for the preparation of all information included in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on management's informed judgments and estimates. Financial information included elsewhere in this Annual Report is consistent with the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. Management believes that this system of internal control has operated effectively for the year ended December 31, 2000.

PricewaterhouseCoopers LLP, Chartered Accountants, appointed by the shareholders, have audited the financial statements and conducted a review of internal accounting policies and procedures to the extent required by generally accepted auditing standards and performed such tests as they deemed necessary to enable them to express an opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Corporation. The committee reviews the financial content of the Annual Report and meets regularly with management, internal audit and PricewaterhouseCoopers LLP to discuss internal controls, accounting, auditing and financial matters. The committee recommends the appointment of the external auditors. The committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.



Steinar Støtvig
Chief Financial Officer



Ian S. Tittle
Controller

January 31, 2001

To the Shareholders of Shell Canada Limited

We have audited the consolidated balance sheets of Shell Canada Limited as at December 31, 2000, 1999 and 1998 and the consolidated statements of earnings and retained earnings, and cash flows for each of the years in the three-year period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2000, in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

*Chartered Accountants
Calgary, Alberta*

January 31, 2001

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended December 31 (\$ millions)	2000	1999	1998	1997	1996
REVENUES					
Sales and other operating revenues	8 100	5 286	4 449	5 306	5 195
Dividends, interest and other income	89	93	57	150	47
Total revenues	8 189	5 379	4 506	5 456	5 242
EXPENSES					
Purchased crude oil, petroleum products and other merchandise	5 166	3 205	2 372	3 066	3 066
Operating, selling and general	1 086	1 053	1 039	1 071	1 094
Exploration	42	70	57	62	84
Depreciation, depletion, amortization and retirements	366	254	265	308	393
Interest on long-term debt	46	49	70	65	66
Foreign exchange on long-term debt	23	27	52	20	14
Total expenses	6 729	4 658	3 855	4 592	4 717
Asset sales and rationalization	—	367	—	—	—
EARNINGS					
Earnings before income tax	1 460	1 088	651	864	525
Current income tax	607	369	165	304	264
Future income tax	(5)	78	54	37	(65)
Total income tax (Note 4)	602	447	219	341	199
Earnings from continuing operations	858	641	432	523	326
Earnings from discontinued operations (Note 13)	—	—	—	—	269
Earnings	858	641	432	523	595
Per Common Share (dollars)					
Earnings from continuing operations	3.04	2.22	1.49	1.69	0.96
Earnings	3.04	2.22	1.49	1.69	1.77
RETAINED EARNINGS					
Balance at beginning of year	3 362	2 931	2 730	3 021	2 628
Implementation of accounting standard (Note 4)	(61)	—	—	—	—
Earnings	858	641	432	523	595
	4 159	3 572	3 162	3 544	3 223
Common Shares buy-back (Note 3)	466	2	22	608	—
Dividends	215	208	209	206	202
Balance at end of year	3 478	3 362	2 931	2 730	3 021

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 (\$ millions)	2000	1999	1998	1997	1996
CASH FROM OPERATING ACTIVITIES					
Earnings from continuing operations	858	641	432	523	326
Gain on sale of investment	—	(47)	—	—	—
Exploration	42	70	57	62	84
Non-cash items					
Depreciation, depletion, amortization and retirements	366	254	265	308	393
Asset sales and rationalization	—	(367)	—	—	—
Current tax related to major property disposal	—	155	—	—	—
Future income tax	(5)	78	54	37	(65)
Other items	(6)	11	37	10	12
Cash flow from continuing operations	1 255	795	845	940	750
Movement in working capital and other related to operating activities	(124)	227	(301)	43	(52)
Cash from operating activities from continuing operations	1 131	1 022	544	983	698
Cash flow from discontinued operations	—	—	—	—	61
Movement in working capital from discontinued operations	—	—	—	—	25
	1 131	1 041	544	983	784
CASH INVESTED					
Capital and exploration expenditures	(1 153)	(715)	(796)	(520)	(442)
Movement in working capital from investing activities	188	21	16	—	—
	(965)	(694)	(780)	(520)	(442)
Proceeds on disposal of properties, plant and equipment	16	951	253	169	72
Investments, long-term receivables and other	(28)	26	(85)	(15)	35
Discontinued operations	—	—	—	—	520
	(977)	264	(612)	(366)	185
CASH FROM FINANCING ACTIVITIES					
Common Shares buy-back (Note 3)	(490)	(2)	(24)	(976)	—
Proceeds from exercise of Common Share stock options	5	4	1	8	10
Dividends paid	(215)	(208)	(209)	(206)	(202)
Long-term debt repayments and other	49	(375)	6	(14)	(31)
Movement in working capital from financing activities (Note 12)	200	—	—	—	—
	(451)	(581)	(226)	(1 188)	(223)
Increase (decrease) in cash	(297)	724	(294)	(571)	746
Cash at beginning of year	1 049	325	619	1 190	444
Cash at end of year¹	752	1 049	325	619	1 190
Supplemental disclosure of cash flow information					
Dividends received	13	46	21	8	4
Interest received	50	13	27	29	30
Interest paid	43	52	67	65	69
Income tax paid	559	162	464	278	292

¹ Cash comprises cash and highly liquid short-term investments.

CONSOLIDATED BALANCE SHEET

At December 31 (\$ millions)	2000	1999	1998	1997	1996
ASSETS					
Current assets					
Cash and short-term investments	752	299	325	619	1 190
Loan to SPCO (Note 10)	—	750	—	—	—
Accounts receivable	1 119	889	627	717	767
Inventories					
Crude oil, products and merchandise	440	464	545	540	396
Materials and supplies	47	49	49	49	47
Prepaid expenses	157	121	122	114	99
	2 515	2 572	1 668	2 039	2 499
Investments, long-term receivables and other	255	219	198	214	193
Properties, plant and equipment (Note 2)	4 496	3 783	3 946	3 713	3 718
Total assets	7 266	6 574	5 812	5 966	6 410
LIABILITIES					
Current liabilities					
Accounts payable and accrued liabilities	1 346	916	656	705	717
Income and other taxes payable	404	391	10	304	120
Current portion of site restoration and other long-term obligations	20	21	21	28	—
Current portion of long-term debt	450	2	367	1	6
	2 220	1 330	1 054	1 038	843
Site restoration and other long-term obligations (Note 7)	205	183	188	189	238
Long-term debt (Note 6)	51	440	425	740	716
Future income tax	857	786	745	799	762
Total liabilities	3 333	2 739	2 412	2 766	2 559
Commitments and contingencies (Note 11)					
SHAREHOLDERS' INVESTMENT					
Capital stock (Note 3)					
100 4% Preference Shares	1	1	1	1	1
275 274 286 Common Shares					
(1999 – 289 377 839; 1998 – 289 178 840)	454	472	468	469	538
	455	473	469	470	539
Contributed surplus	—	—	—	—	291
Retained earnings	3 478	3 362	2 931	2 730	3 021
Total shareholders' investment	3 933	3 835	3 400	3 200	3 851
Total liabilities and shareholders' investment	7 266	6 574	5 812	5 966	6 410

The consolidated financial statements have been approved by the Board of Directors.



Timothy W. Faithfull
Director



Robert T. Stewart
Director

Shell Canada's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. The Corporation's major accounting policies are summarized as follows:

1. ACCOUNTING POLICIES

Principles of Consolidation The consolidated financial statements include the accounts of Shell Canada Limited and its subsidiary companies. The financial statements reflect the Corporation's proportionate interests in joint ventures.

Inventories Inventories of crude oil, products and merchandise are stated at the lower of cost, applied on the Last-In, First-Out (LIFO) basis, or net realizable value. Materials and supplies are stated at the lower of cost or estimated useful value.

Investments Investments in companies over which Shell Canada exercises significant influence are accounted for using the equity method. Accordingly, the book value of the investment in such companies equals the original cost of the investment, plus Shell Canada's share of earnings since the investment date, less dividends received. Other long-term investments are recorded at cost. Short-term investments are carried at the lower of cost or market value and are highly liquid securities with a maturity of three months or less when purchased.

Exploration and Development Costs The Corporation follows the successful efforts method of accounting for exploration and development activities. Under this method, acquisition costs of resource properties are capitalized. Exploratory drilling costs are initially capitalized and costs relating to wells subsequently determined to be unsuccessful are charged to earnings. Other exploration costs are charged to earnings. All development costs are capitalized.

Depreciation, Depletion and Amortization Depreciation and depletion on resource assets are provided on the unit-of-production basis. Land and lease costs relating to producing properties and costs of gas plants are depleted and depreciated over remaining proved reserves. Resource development costs are depleted and depreciated over remaining proved developed reserves. A valuation allowance for unproved properties is provided through amortization of costs; the amortization rate is determined in accordance with experience. Costs relating to non-resource assets are depreciated on the straight-line basis over each asset's estimated useful life.

Site Restoration Estimated site restoration costs are provided for on either the unit-of-production or the straight-line basis over the useful life of the related assets. Costs are based on engineering estimates of the anticipated method and extent of site restoration, in accordance with current legislation, industry practices and costs. Provision is being made for site restoration costs that the Corporation expects to incur within the foreseeable future and that can be reasonably estimated.

Interest Interest costs are expensed as incurred.

Revenues Inter-segment sales, which are accounted for at estimated market-related values, are included in revenues of the segment making the transfer. On consolidation, such inter-segment sales and any associated estimated profits in inventory are eliminated.

Royalties and Mineral Taxes Alberta royalties on crude oil obtained from Crown leases are required to be delivered in kind. All royalty entitlements and mineral taxes are reflected as reductions in sales and other operating revenues.

Other Employee Future Benefits In addition to its pension plan, the Corporation provides retiree benefits including life insurance and supplementary health and dental coverage. The actuarially determined cost of these benefits is accrued over the estimated average remaining service life of employees.

Foreign Currency Translation Long-term monetary liabilities are translated to Canadian dollars at rates of exchange in effect at the end of the period. Unrealized exchange gains and losses arising on translation are deferred and amortized over the remaining term of these liabilities.

Financial Instruments Financial instruments including cash, marketable securities and short-term debt are recorded at historical cost and, unless otherwise indicated, their market values approximate the recorded amounts.

Foreign Exchange Forward Contracts The Corporation enters into foreign exchange forward contracts to hedge certain foreign purchases and sales. Those foreign transactions are recorded in the financial statements in Canadian dollars at the rate specified in the forward contract. Exchange gains or losses on the contracts offset the gains or losses on the initial transaction.

Interest Rate Swaps Interest rate swaps are used to manage interest rate exposure. Differentials under interest rate swap arrangement are recognized by adjustments to interest expense.

Energy Futures The Corporation uses energy futures to reduce exposure to price fluctuations in some contractual energy purchases and sales. Any gain or loss on these transactions is applied to the cost of the products purchased and sold in accordance with the intent to hedge risk.

Stock-based Compensation Plans The Corporation has a stock-based compensation plan, which is described in *Note 3*. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

Use of Estimates The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include the estimate of proved oil and gas reserves, site restoration and employee future benefits.

Reclassification Certain information provided for prior years has been reclassified to conform to the current presentation.

2. SEGMENTED INFORMATION

The operating segments are those adopted by senior management of the Corporation to determine resource allocations and assess performance. In all material respects, the segmented information is applied consistently in accordance with the Corporation's significant accounting policies. The Corporation's revenues are attributed principally to Canada where all of its major properties, plants and equipment are located.

Segmented financial results and properties, plant and equipment data are reported as if the segments were separate entities.

EARNINGS (\$ millions)

TOTAL			
2000	1999	1998	
988	523	401	Natural gas
757	417	289	Natural gas liquids
42	64	41	Crude oil and bitumen
(337)	(184)	(144)	Royalties
3 025	2 137	1 799	Gasolines
2 434	1 477	1 299	Middle distillates
1 018	655	573	Other products
262	290	248	Other revenues
—	—	—	Inter-segment sales
8 189	5 379	4 506	Total revenues
5 166	3 205	2 372	Purchased crude oil, petroleum products and other merchandise
—	—	—	Inter-segment purchases
1 086	1 053	1 039	Operating, selling and general
42	70	57	Exploration
366	254	265	Depreciation, depletion, amortization and retirements
46	49	70	Interest on long-term debt
23	27	52	Foreign exchange on long-term debt
6 729	4 658	3 855	Total expenses
—	367	—	Asset sales and rationalization ¹
1 460	1 088	651	Earnings (loss) before income tax
607	369	165	Current income tax
(5)	78	54	Future income tax
602	447	219	Total income tax
858	641	432	Earnings (loss)

¹ In 1999, the Corporation recognized a pre-tax gain of \$422 million (\$230 million after-tax) related to the sale of the Plains properties, which was partially offset by a write-down of \$55 million pre-tax (\$32 million after-tax) related to Peace River.

The Corporation has the following segments:

Resources includes exploration, production and marketing activities for natural gas, natural gas liquids, bitumen, crude oil and sulphur.

Oil Products includes the manufacturing, distribution and selling of the Corporation's refined petroleum products.

Corporate and Other includes controllership, financing, administration and general corporate facility management. It also includes Oil Sands.

RESOURCES			OIL PRODUCTS			CORPORATE AND OTHER		
2000	1999	1998	2000	1999	1998	2000	1999	1998
988	523	401	-	-	-	-	-	-
757	417	289	-	-	-	-	-	-
42	64	41	-	-	-	-	-	-
(337)	(184)	(144)	-	-	-	-	-	-
-	-	-	3 025	2 137	1 799	-	-	-
-	-	-	2 434	1 477	1 299	-	-	-
76	36	25	942	619	548	-	-	-
5	89	34	188	175	184	69	26	30
69	87	95	151	72	55	-	-	-
1 600	1 032	741	6 740	4 480	3 885	69	26	30
-	-	-	5 166	3 205	2 387	-	-	(15)
151	-	-	69	159	150	-	-	-
275	268	250	783	761	764	28	24	25
42	70	57	-	-	-	-	-	-
189	188	154	176	127	156	1	(61)	(45)
-	-	-	-	-	-	46	49	70
-	-	-	-	-	-	23	27	52
657	526	461	6 194	4 252	3 457	98	39	87
-	367	-	-	-	-	-	-	-
943	873	280	546	228	428	(29)	(13)	(57)
362	189	101	269	188	133	(24)	(8)	(69)
45	184	10	(63)	(101)	20	13	(5)	24
407	373	111	206	87	153	(11)	(13)	(45)
536	500	169	340	141	275	(18)	-	(12)

2. SEGMENTED INFORMATION *(continued)*

CASH FLOW (\$ millions)

TOTAL			
2000	1999	1998	
1 255	795	845	Cash flow from operations
(124)	227	(301)	Movement in working capital and other related to operating activities
1 131	1 022	544	Cash from operating activities
(1 153)	(715)	(796)	Capital and exploration expenditures
188	21	16	Movement in working capital related to investing activities
(965)	(694)	(780)	
(12)	981	168	Other cash invested
(451)	(581)	(226)	Cash from financing activities
(297)	724	(294)	Increase (decrease) in cash

CAPITAL EMPLOYED (\$ millions except as noted)

TOTAL			
2000	1999	1998	
8 478	7 515	7 797	Properties, plant and equipment at cost
3 982	3 732	3 851	Accumulated depreciation, depletion and amortization
4 496	3 783	3 946	Net properties, plant and equipment
(63)	494	246	Other assets less other liabilities
4 433	4 277	4 192	Capital employed
20.3	15.8	11.8	Return on average capital employed (%)¹

¹ Return on Average Capital Employed (ROACE) is earnings plus after-tax interest expense on debt divided by the average of opening and closing capital employed for the 12 months to December 31. Capital employed is a total of equity and long-term debt including the current portion of long-term debt.

RESOURCES			OIL PRODUCTS			CORPORATE AND OTHER		
2000	1999	1998	2000	1999	1998	2000	1999	1998
808	686	386	429	148	440	18	(39)	19
(206)	52	8	(60)	187	(9)	142	(12)	(300)
602	738	394	369	335	431	160	(51)	(281)
(254)	(488)	(509)	(279)	(109)	(171)	(620)	(118)	(116)
37	4	16	-	-	-	151	17	-
(217)	(484)	(493)	(279)	(109)	(171)	(469)	(101)	(116)
7	839	151	22	25	(14)	(41)	117	31
4	2	4	11	4	8	(466)	(587)	(238)
396	1 091	56	123	255	254	(816)	(622)	(604)

RESOURCES			OIL PRODUCTS			CORPORATE AND OTHER		
2000	1999	1998	2000	1999	1998	2000	1999	1998
3 954	3 802	4 105	3 652	3 461	3 492	872	252	200
1 893	1 714	1 846	2 025	1 958	1 932	64	60	73
2 061	2 088	2 259	1 627	1 503	1 560	808	192	127
(653)	(728)	(443)	187	148	206	403	1 074	483
1 408	1 360	1 816	1 814	1 651	1 766	1 211	1 266	610
38.7	31.5	9.6	19.6	8.2	15.7	-	-	-

2. SEGMENTED INFORMATION *(continued)*

Oil Sands capital activities, included in Corporate and Other, are detailed below:

	OIL SANDS		
	2000	1999	1998
CAPITAL AND EXPLORATION EXPENDITURES (\$ millions)	606	113	57
CAPITAL EMPLOYED (\$ millions)			
Properties, plant and equipment at cost	774	167	100
Accumulated depreciation, depletion and amortization	—	—	—
Net properties, plant and equipment	774	167	100
Other assets less other liabilities	(206)	(20)	(8)
Capital employed	568	147	92

Oil Sands property, plant and equipment are not being depreciated during the construction period.

3. CAPITAL STOCK

Shell Canada Limited carries on business under the Canada Business Corporations Act. Common Shares are without nominal or par value and are authorized in unlimited number.

The holder of the four per cent Preference Shares receives fixed, cumulative dividends of \$40,000 per annum. The Preference Shares may be redeemed at the amount paid up thereon plus accrued dividends.

On May 10, 2000, the Company initiated a normal course issuer bid for up to five per cent of its outstanding Common Shares. The bid was terminated on September 18, 2000, at which time 14,358,509 shares, five per cent, had been repurchased at an average price of \$34.02, for a total cost of \$489 million.

Shell Investments Limited (SIL), a related company as described on the inside back cover of this report, owns approximately 78 per cent of the outstanding Common Shares of Shell Canada Limited, and participated in the share purchase program. Under the program, SIL sold 11,199,552 Shell Canada Limited Common Shares, maintaining its existing ownership interest.

An earlier normal course issuer bid, which commenced August 17, 1999, was terminated May 4, 2000, concurrent with the announcement of the May 10, 2000 bid. Under the terminated bid, Shell purchased 110,100 shares at an average price of \$29.78, for a total cost of \$3 million, which includes \$1 million of shares purchased in 2000.

Under the Long-term Incentive Plan, the Company may grant options to executives and other employees. The number of options granted is determined by a formula. The exercise price of each option equals the market price of the Company's stock on the date of grant and the maximum term of an option is 10 years. Options may not be exercised during the one-year period following the date of grant after which time one-third of the options may be exercised in each of the next three years on a cumulative basis. For executives, 50 per cent of the options are based on the Company Total Shareholder Return (TSR). For the option to vest, the TSR must exceed the average TSR of the Corporation's comparator group at the end of the three-year period after being granted. If the options vest, they must be exercised within seven years of the date of vesting.

At December 31, 2000, the Company had 9,393,272 Common Shares reserved to meet outstanding options.

COMMON SHARES	2000		1999		1998	
	Common Shares	Dollars	Common Shares	Dollars	Common Shares	Dollars
Balance at the beginning of the year	289 377 839	472 170 047	289 178 840	467 994 216	290 127 940	468 900 975
Options exercised	287 056	5 015 731	276 999	4 303 068	51 700	712,727
Normal course issuer bid	(14 390 609)	(23 585 782)	(78 000)	(127 237)	(1 000 800)	(1 619 486)
Balance at year-end	275 274 286	453 599 996	289 377 839	472 170 047	289 178 840	467 994 216

A summary of the status of the Company's fixed stock option plans as of December 31, 2000, 1999 and 1998, and changes during the years ending on those dates is presented below:

	2000		1999		1998	
	Options (thousands)	Weighted Average Exercise Price	Options (thousands)	Weighted Average Exercise Price	Options (thousands)	Weighted Average Exercise Price
Outstanding at the beginning of the year	2 059	\$ 19.95	1 623	\$ 18.46	979	\$ 14.60
Granted	801	31.20	715	21.65	699	23.50
Exercised	(287)	17.47	(277)	15.54	(51)	13.79
Forfeited	(13)	26.53	(2)	23.50	(4)	23.50
Outstanding at year-end	2 560	23.71	2 059	19.95	1 623	18.44
Options exercisable at year-end	1 114		836		880	

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding at December 31, 2000	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2000	Weighted Average Exercise Price
\$ 10 to \$ 14	236 301	5.1	\$ 13.54	236 301	\$ 13.54
\$ 14 to \$ 18	286 850	6.2	16.43	286 850	16.54
\$ 18 to \$ 22	664 135	9.0	21.65	221 302	21.65
\$ 22 to \$ 28	1 372 264	9.2	27.96	369 781	23.50
\$ 10 to \$ 28	2 559 550	8.4	23.71	1 114 234	19.23

4. INCOME TAX

The income tax provisions included in the determination of earnings are developed by applying Canadian federal and provincial statutory tax rates to pre-tax earnings, with adjustments as set out in the table below.

Effective January 1, 2000, the Company adopted the new Canadian accounting standard for Income Taxes. The Corporation adopted this standard retroactively without restating financial statements for prior periods. The effect of the new recommendation on the balance sheet was to decrease the future income tax liability and increase retained earnings by \$61 million. The effect on net income for the period ended December 31, 2000, is not material.

The future income tax liability is largely due to the excess carrying value of property, plant and equipment over the associated tax basis.

The Corporation has \$65 million in capital losses for which no future income tax benefit has been recognized.

(\$ millions except as noted)	2000	1999	1998
Earnings before income tax	1 460	1 088	651
Basic corporate tax rate (%)	43.9	44.4	43.6
Income tax at basic rate	641	483	284
Increases (decreases) resulting from:			
Crown royalties and other payments to provinces	123	68	55
Resource allowance and other abatement measures	(137)	(65)	(55)
Manufacturing and processing credit	(32)	(28)	(29)
Other, including revisions in previous tax estimates	7	(11)	(36)
Total	602	447	219

5. TAXES, ROYALTIES AND OTHER

The following amounts were included in the determination of earnings:

(\$ millions)	2000	1999	1998
Items reported separately:			
Income tax	602	447	219
Items included in sales and other operating revenues and in operating, selling and general expenses:			
Crown royalties and mineral taxes	274	151	121
Royalties paid to private leaseholders	63	34	23
Other taxes	53	55	58
Research and development expense	7	15	17
Total	999	702	438

6. LONG-TERM DEBT

(\$ millions)	Maturity	2000	1999	1998
Debentures				
7 ³ / ₈ % (\$250 US)	1999	—	—	383
8 ⁷ / ₈ % (\$300 US)	2001	448	433	460
Capital Leases	varying dates	53	16	18
		501	449	861
Included in current liabilities		(450)	(2)	(367)
Unamortized balance of foreign exchange loss		—	(7)	(69)
Total		51	440	425

The Corporation hedged its exposure to changes in the U.S. dollar exchange rate on the 8⁷/₈ per cent debentures by entering into foreign exchange contracts totalling \$290 million US.

In January 2001, the long-term debt, included in current liabilities, matured and was retired.

Capital leases include \$38 million of incurred costs related to the hydrogen manufacturing unit (HMU), which will be used in connection with the Oil Sands project. Shell's 60 per cent share of the total estimated cost of the HMU is \$150 million. The repayment schedule below includes the \$501 million total and the total estimated \$150 million cost of the HMU. The payments necessary during the next five years are as follows:

- \$ 450 million in 2001
- \$ 2 million in 2002
- \$ 15 million in 2003
- \$ 15 million in 2004
- \$ 15 million in 2005.

7. SITE RESTORATION AND OTHER LONG-TERM OBLIGATIONS

(\$ millions)	2000	1999	1998
Site restoration ¹	79	70	78
Other employee future benefits	105	96	89
Other obligations	42	38	42
	226	204	209
Included in current liabilities	(21)	(21)	(21)
Total	205	183	188

¹ Site restoration expenditures for 2000 were \$11 million (1999 – \$12 million; 1998 – \$19 million).

8. FINANCIAL INSTRUMENTS

(\$ millions)	Notional Amount ¹			Unrealized Gain (Loss) ²		
	2000	1999	1998	2000	1999	1998
Commodity contracts	278	127	31	(59)	6	(3)
Foreign exchange contracts	475	158	76	2	2	5

(\$ millions)	Notional Amount ¹			Carrying Value		
	2000	1999	1998	2000	1999	1998
Interest rate swaps	–	1	11	–	–	–
Long-term debt ³	510	476	917	500	442	792

¹ Notional amount is the product of the contract volume and the mark-to-market forward price. Purchase and sales positions have not been offset. Amounts disclosed represent the sum of the absolute values of the positions.

² Unrealized gain (loss) represents the gain or (loss) the Corporation would incur if the contract was liquidated at December 31.

³ Long-term debt includes the current portion.

The Corporation uses commodity contracts to reduce the risk of price fluctuations of some commodities. Over-the-counter contracts with terms generally no longer than one year are used. At December 31, commodity contracts outstanding were:

(\$ millions except as noted)	2000		1999		1998	
	Face Value	Volume ⁴	Face Value	Volume ⁴	Face Value	Volume ⁴
Crude oil and refined products sales commitments	5	164	3	231	6	440
Crude oil and refined products purchase commitments	–	–	–	–	2	–
Natural gas sales commitments	116	18	127	41	24	10
Electricity	65	711	–	–	–	–

⁴ Crude oil and refined product volumes are thousands of barrels, natural gas volumes are billions of cubic feet and electricity is denoted in thousands of megawatt hours. Where the Corporation has entered into offsetting positions, the volume has been excluded.

The Canadian/U.S. dollar exchange rates affect a portion of the Corporation's anticipated revenues and expenses. In order to reduce this foreign exchange exposure, the Corporation has implemented a hedging program using spot and forward exchange contracts and swaps. The Corporation uses forward contracts with maturities generally less than one year. Interest rate and currency swaps are used to manage exposure to interest rate and currency rate changes. The Corporation uses arrangements with maturities no longer than the underlying debt instrument (*Note 6*).

Non-performance by the other parties to the financial instruments exposes the Corporation to credit loss. The counterparties are generally international and domestic banks with credit ratings of AA or better and there is no significant concentration of credit risk held with any one institution. The Corporation does not anticipate non-performance by the counterparties.

9. EMPLOYEE FUTURE BENEFITS

A new Canadian accounting standard for employee future benefits was adopted prospectively in 2000. This new standard has not had a material impact on the Corporation's financial statements.

Employees participate in the Corporation's defined contribution plan for the first 10 years of service. After 10 years, employees can elect to participate in the Corporation's defined benefit pension plan. Benefits from this pension plan are Company-paid and are based on years of service and final average earnings. In addition to the pension plans, life insurance and supplementary health and dental coverage benefits are provided to retirees.

	2000	
	Pension Benefit Plans	Other Benefit Plans
ACCRUED BENEFIT OBLIGATION (\$ millions)		
Accrued benefit obligation as at January 1	1 416	132
Current service cost	22	1
Interest cost	101	9
Actuarial loss	127	(1)
Benefits paid	(118)	(6)
Accrued benefit obligation at December 31	1 548	135

Included in the above are unfunded obligations of \$68 million for the supplemental pension plan and \$33 million for the spousal pension plan.

	2000	
	Pension Benefit Plans	Other Benefit Plans
PLAN ASSETS (\$ millions)		
Plan assets as at January 1	1 907	–
Actual return on plan assets	139	–
Employer contributions	7	–
Employee contributions	2	–
Transfers from savings plans	14	–
Benefits paid	(118)	–
Expenses	(7)	–
Fair value as at December 31	1 944	–
Funded status – surplus (<i>deficit</i>)	396	(135)
Unamortized net (<i>gain</i>) losses	114	(1)
Unamortized transitional (<i>asset</i>) obligation ¹	(287)	33
Accrued benefit asset	223	(103)

¹ Unrecorded assets are amortized over the expected average remaining service life of employees, which is currently nine years (1999 – nine years; 1998 – 10 years).

(INCOME) EXPENSE (\$ millions)		
Current service cost	22	2
Employee contributions	(2)	–
Interest cost	101	9
Expected (<i>return</i>) on plan assets	(132)	–
Amortization of transitional (<i>asset</i>) obligation	(36)	3
Net pension income for pension benefit plan	(47)	14
Defined contribution plan	–	–
Total	(47)	14

ASSUMPTIONS (per cent)		
Discount rate	6.5	6.5
Long-term rate of return on plan assets	7.5	–
Rate of compensation growth	3.0	3.0

Comparative figures determined under the previous accounting standard have not been restated.

(\$ millions)	1999	1998
Net pension income	23	39
Pension fund asset value	1 766	1 625
Accumulated benefit obligation	1 416	1 328
Deferred pension asset	168	137

10. TRANSACTIONS WITH AFFILIATED COMPANIES

Shell Canada, in the course of its regular business activities, has routine transactions with affiliates. Such transactions are at commercial rates. The following transactions occurred with Shell International Trading Company and other affiliates of the Royal Dutch/Shell Group of Companies as at December 31:

<i>Year ended December 31 (\$ millions)</i>	2000	1999	1998
Purchases of crude oil, petroleum products and chemicals	2 032	909	791
Amounts payable in respect of such purchases	141	80	68
Sale of natural gas, petroleum products and chemicals	1 308	857	621
Amounts receivable in respect of such sales	200	88	79

The only material product purchase is crude oil which comprises 94 per cent of total affiliated company purchases.

Shell Investments Limited (SIL) is a wholly owned subsidiary in the Royal Dutch/Shell Group of Companies, and owns about 78 per cent of the outstanding Common Shares of Shell Canada Limited. S.I.L. participated in the share purchase program announced May 10, 2000, as outlined in *Note 3*.

In December 1999, the Corporation entered into a loan agreement with The Shell Petroleum Company, a wholly owned subsidiary of the Corporation's ultimate parents, under which it advanced \$750 million Cdn at competitive Canadian short-term interest rates as part of its cash management activities. The loan matured in February 2000. Interest income from the loan in 2000 was \$2 million after-tax.

Shell Canada sold its natural gas marketing business on April 1, 1997, to Coral Energy (Coral), in which Shell Oil Company of Houston, Texas (Shell Oil), owned a 44 per cent interest. In return, the Corporation obtained a 12 per cent interest in Coral, a natural gas, power and energy company. On June 1, 1997, the Corporation began selling its gas production to Coral. On January 12, 1998, Shell Oil increased its holding in Coral to 88 per cent.

Effective September 30, 1999, Shell Canada sold its 12 per cent interest in Coral to Shell Oil. This transaction resulted in a \$35 million after-tax gain.

In May 1998, the Corporation purchased the shares of a related party for \$108 million. As a result of this acquisition Shell Canada was able to use income tax deductions of the acquired company. The purchase price was established, independently verified and agreed to by the related parties.

11. COMMITMENTS AND CONTINGENCIES

At December 31, 2000, the Corporation had non-cancellable operating and other long-term commitments with an initial or remaining term of one year or more. Future minimum payments under such commitments are estimated to be:

(\$ millions)	Operating Commitments ¹	Other Long-term Commitments ²
2001	65	334
2002	57	167
2003	52	239
2004	46	229
2005	41	225
thereafter	210	2 868 ³

¹ Cover leases of service stations, office space and other facilities.

² The Corporation has substantial commitments for use of facilities or services and supply and processing of products, all made in the normal course of business.

³ Includes obligations of \$1.9 billion for the Oil Sands project and \$1 billion for pipeline charges.

Various lawsuits are pending against the Corporation. Actual liability with respect to these lawsuits is not determinable, but management believes, based on counsels' opinions, that any potential liability will not materially affect the Corporation's financial position.

12. SALE OF ACCOUNTS RECEIVABLE

In November, 2000, the Board of Directors approved a \$350 million securitization program. In December, the Corporation sold \$200 million of accounts receivable under the program.

13. DISCONTINUED OPERATIONS

The Corporation sold its Chemicals business effective December 31, 1996, to Shell Chemicals Canada Ltd. The sale of the Chemicals business resulted in a gain of \$226 million after-tax and earnings from discontinued operations of \$43 million after-tax. The results of the Chemicals business have been accounted for as discontinued operations.

SUPPLEMENTAL OIL PRODUCTS DISCLOSURE

Year ended December 31 (unaudited)

PRODUCTION (thousands of cubic metres/day)	2000	1999	1998	1997	1996
Crude oil processed by Shell refineries					
Montreal East (Quebec)	18.6	17.0	18.0	17.5	17.5
Sarnia (Ontario)	10.0	9.9	9.7	10.1	10.1
Scotford (Alberta)	14.5	14.9	14.1	13.6	12.8
Total	43.1	41.8	41.8	41.2	40.4
Rated refinery capacity at year-end					
Montreal East (Quebec)	20.7	20.7	20.6	20.6	20.6
Sarnia (Ontario)	11.4	11.4	11.4	11.4	11.4
Scotford (Alberta)	15.3	15.3	15.0	14.2	12.5
Total	47.4	47.4	47.0	46.2	44.5
SALES (thousands of cubic metres/day)	2000	1999	1998	1997	1996
Gasolines	20.6	20.8	20.6	19.9	19.4
Middle distillates	17.6	17.1	17.0	16.8	16.7
Other products	7.2	7.1	7.4	7.7	7.4
Total	45.4	45.0	45.0	44.4	43.5

Year ended December 31 (unaudited)

PRODUCTION	2000	1999	1998	1997	1996
Natural gas (millions of cubic feet/day)					
Gross	593	562	587	667	697
Net	482	473	463	571	601
Ethane, propane and butane (thousands of barrels/day)					
Gross	30.2	30.4	30.8	31.3	32.6
Net	23.9	25.3	26.8	26.5	29.5
Condensate (thousands of barrels/day)					
Gross	23.2	23.6	24.9	24.6	24.9
Net	17.7	18.7	20.2	20.3	22.3
Bitumen (thousands of barrels/day)					
Gross	4.2	6.1	7.2	6.0	6.1
Net	4.0	5.7	6.9	5.3	5.8
Crude oil (thousands of barrels/day)					
Gross	—	13.6	15.7	20.5	23.6
Net	—	11.1	13.5	16.3	19.2
Sulphur – gross (thousands of long tons/day)	6.5	6.6	6.6	6.6	6.4

Gross production includes all production attributable to Shell's interest before deduction of royalties; net production is determined by deducting royalties from gross production.

SALES	2000	1999	1998	1997	1996
Natural gas – gross (millions of cubic feet/day)	585	552	593	704	831
Ethane, propane and butane – gross (thousands of barrels/day)	54.2	53.5	64.2	63.7	68.9
Condensate – gross (thousands of barrels/day)	31.5	34.5	36.3	33.4	32.9
Bitumen – gross (thousands of barrels/day)	6.6	9.1	11.1	10.5	9.9
Crude oil – gross (thousands of barrels/day)	—	13.4	14.1	19.4	23.6
Sulphur – gross (thousands of long tons/day)	9.1	9.3	8.0	7.4	7.9

PRICES	2000	1999	1998	1997	1996
Natural gas average plant gate netback price (\$/mcf)	4.74	2.69	1.89	1.86	1.69
Ethane, propane and butane average field gate price (\$/bbl)	22.75	12.91	7.25	10.93	10.02
Condensate average field gate price (\$/bbl)	42.62	24.90	18.54	26.74	25.55
Crude oil average field gate price (\$/bbl)	—	24.97	18.83	25.80	26.14

EXPLORATION AND DEVELOPMENT WELLS DRILLED

	2000		1999		1998		1997		1996	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Exploration										
Gas	2	1	1	—	6	3	2	2	—	—
Oil	—	—	—	—	2	2	3	3	8	4
Dry	3	2	15	13	12	8	8	6	14	11
	5	3	16	13	20	13	13	11	22	15
Development										
Gas	16	8	9	7	7	6	11	8	8	6
Bitumen	—	—	—	—	17	17	10	10	11	11
Oil	—	—	2	1	24	14	49	22	36	20
Dry	1	1	2	1	—	—	2	1	1	1
	17	9	13	9	48	37	72	41	56	38
Total wells drilled	22	12	29	22	68	50	85	52	78	53
Wells in progress	8	5	10	3	24	21	24	20	21	19

Exploration wells – Wells drilled either in search of new and as yet undiscovered pools of oil or gas, or with the expectation of significantly extending the limits of established pools. All other wells are development wells.

PRODUCTIVE WELLS

	2000		1999		1998		1997		1996	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Gas Wells										
Alberta	254	220	242	213	253	220	270	217	289	220
British Columbia	—	—	—	—	—	—	6	5	8	6
Nova Scotia	11	3	2	1	—	—	—	—	—	—
	265	223	244	214	253	220	276	222	297	226
Oil Wells										
Alberta – conventional	—	—	—	—	242	127	287	137	346	181
Alberta – bitumen ¹	52	52	95	95	123	123	172	172	181	181
Saskatchewan	—	—	—	—	273	188	466	286	1 292	496
	52	52	95	95	638	438	925	595	1 819	858
Total productive wells	317	275	339	309	891	658	1 201	817	2 116	1 084

Productive wells – Producing and non-unitized wells capable of producing.

Gross wells – The number of wells in which Shell Canada has a working interest.

Net wells – The aggregate of the numbers obtained by multiplying each gross well by the percentage working interest of Shell Canada therein, rounded to the nearest whole number.

¹ Comparative figures have been restated to exclude injector wells.

RESERVES

Reserve Quantity Information Estimation of reserve quantities is based on established geological and engineering principles and involves judgmental interpretation of reservoir data. These estimates are subject to revision as additional information regarding producing fields and technology becomes available, as economic and operating conditions change, or as properties are divested or acquired. The difference between the gross and net reserves is the volume of reserves dedicated to meet royalty payments over the life of the reserves. The net reserves in the table below have been calculated on the basis of royalty rates and economic conditions in place as of the date the estimate is made. Shell Canada's estimated proved reserves include quantities for the East Coast but exclude any quantities in the Mackenzie Delta and Arctic Islands.

Natural Gas Net natural gas reserves decreased by 171 billion cubic feet due to annual production and the sale of Shell's interest in Gregg Lake. Although positive revisions were realized at a number of gas properties, they were largely offset by the impact of increased royalty rates resulting from the higher gas prices used in the reserve calculation. Modest volumes were booked at Jumping Pound to reflect a new discovery from successful drilling in the shallower Viking zone.

OIL, GAS AND OTHER RESERVES

NATURAL GAS

(billions of cubic feet)

Year ended December 31 (unaudited)

	2000	1999	1998
Net proved developed and undeveloped reserves			
Beginning of year	2 666	2 771	3 010
Revisions of previous estimates	25	163	(100)
Extensions, discoveries and other additions	6	1	80
Improved recovery methods	—	—	—
Sales of reserves in place	(27)	(95)	(50)
Production	(175)	(174)	(169)
End of year	2 495	2 666	2 771
Net proved developed reserves			
End of year	1 989	2 187	1 534
Gross proved developed and undeveloped reserves			
End of year	2 991	3 119	3 256
Gross proved developed reserves			
End of year	2 357	2 550	1 873

Proved reserves – Estimated quantities of crude oil and bitumen, natural gas liquids, natural gas and sulphur that geological engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs. These estimates are based on existing economic and operating conditions (prices, costs, royalties and income taxes) as of the date the estimate is made.

Proved developed reserves – Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Natural Gas Liquids Net reserves of natural gas liquids fell by 26 million barrels primarily due to production during the year and negative revisions at Sable, Jumping Pound and Caroline. The largest revision was at Sable where production history to date indicates a slightly lower liquid content in the raw gas stream than originally estimated. Net reserves of ethane, propane and butane declined by 14 million barrels in 2000 and condensate reserves fell by 12 million barrels.

Bitumen Net proved bitumen reserves increased by 84 million barrels, reflecting the continuing application of soak radial well technology. Production history to date and extensive reservoir modelling by both internal and external engineering personnel indicate a lower rate of decline and an improved recovery factor for wells employing this technology. The soak radial technology provides the foundation for a new investment program designed to fill the Peace River plant to its licensed capacity of 12,000 barrels per day.

Sulphur Net sulphur reserves fell by one million long tons reflecting production in 2000, offset somewhat by positive revisions at various Foothills complexes.

NATURAL GAS LIQUIDS (millions of barrels)			CRUDE OIL AND BITUMEN (millions of barrels)			SULPHUR (millions of long tons)		
2000	1999	1998	2000	1999	1998	2000	1999	1998
168	183	212	100	170	170	19	21	24
(11)	5	(12)	—	(6)	7	1	—	—
—	—	—	—	—	—	—	—	—
—	—	—	86	—	—	—	—	—
—	(4)	—	—	(58)	—	—	—	—
(15)	(16)	(17)	(2)	(6)	(7)	(2)	(2)	(3)
142	168	183	184	100	170	18	19	21
129	155	137	20	7	56	16	18	20
164	192	206	194	105	185	20	22	23
148	176	157	21	7	63	18	20	21

Proved undeveloped reserves – Reserves that are expected to be recovered from new wells on undrilled acreage adjacent to producing acreage, or from existing wells where further significant expenditure is required.

Gross proved reserves – Reserve estimates before the deduction of royalty interests owned by others.

Net proved reserves – Reserve estimates after deduction of royalties and, therefore, only those quantities that Shell has a right to retain.

RESERVES

The Muskeg River mine on Lease 13 contains proved reserves of one billion barrels and probable reserves of 498 million barrels. Shell's 60 per cent interest is 600 million barrels of proved and 300 million barrels of probable reserves. This estimate is before deduction of royalties, which cannot be accurately estimated. Under the Oil Sands Royalty Regulation, royalty depends on project cash flows. Therefore, the calculation of royalties depends upon price, production rates, capital costs and operating costs over the life of the Muskeg River mine.

The reserve estimates are based on a detailed geological assessment, including drilling and laboratory tests. They also consider current mine plans, planned operating life and regulatory constraints. The current proved plus probable reserve estimate includes only the portion of Lease 13 that represents the development area approved by the Alberta Energy and Utilities Board. The reserve estimate is the actual barrels of bitumen to be shipped for processing at the Scotford upgrader. No allowance for volume losses during upgrading is required because of the Scotford upgrader's hydroconversion process.

Drilling density is a factor in classifying reserves as either proved or probable. Proved reserves of bitumen are based on high geological certainty, with drill hole spacing less than 350 metres and the application of existing or piloted technology. Probable reserves of bitumen are based on high geological certainty, with drill hole spacing less than 700 metres and the application of existing or piloted technology.

OIL SANDS RESERVES**MINEABLE BITUMEN***(millions of barrels)**Year ended December 31 (unaudited)*

	2000	1999	1998
Gross proved developed and undeveloped reserves			
Beginning of year	600	—	—
Revisions of previous estimates	—	—	—
Extensions, discoveries and other additions	—	600	—
Production	—	—	—
End of year	600	600	—
Gross proved and probable developed and undeveloped reserves			
End of year	900	900	—

Year ended December 31 (unaudited)

	UNDEVELOPED ACRES				DEVELOPED ACRES			
	2000		1999		2000		1999	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
<i>(thousands of acres)</i>								
Onshore within the provinces								
Conventional oil and gas:								
Alberta	400	245	370	237	628	430	653	435
British Columbia	53	53	53	53	—	—	—	—
Quebec	1 361	675	2 403	1 196	—	—	—	—
Bitumen:								
— mining	—	—	91	91	91	91	—	—
— in-situ	—	—	—	—	209	160	195	195
	1 814	973	2 917	1 577	928	681	848	630
Canada Lands								
Offshore Nova Scotia	2 330	883	2 330	883	109	33	109	33
Northwest Territories	252	242	65	54	—	—	—	—
West Coast offshore	13 602	12 855	13 602	12 858	—	—	—	—
Nunavut Territory	5 801	3 100	5 801	3 100	—	—	—	—
	21 985	17 080	21 798	16 895	109	33	109	33
Total	23 799	18 053	24 715	18 472	1 037	714	957	663

Gross acres include the interests of others; net acres exclude the interests of others.

Undeveloped acres, comprising Crown reservations, permits, exploration agreements and licences, are acquired from the Government of Canada or the provinces through application or competitive bidding. They confer upon the holder the right to explore for crude oil and natural gas and to lease the crude oil and natural gas rights under a specified percentage of the lands covered. No deduction has been made to reflect that only a portion of these areas may be converted to lease.

Developed acre leases essentially confer upon the lessee the right to remove crude oil and natural gas from the property, subject to the payment of a rental and/or a reserved royalty.

In Western Canada, approximately 293,000 gross acres (1999 – 294,000) or 172,000 net acres (1999 – 212,000) of the total developed acres, primarily in Alberta, are classified as producing lands.

On the East Coast, approximately 33,095 gross acres or 7,951 net acres of the total developed acres, are classified as producing lands.

Nunavut Territory includes areas previously reported separately as Baffin Bay, Arctic Islands and Hudson Bay.

SUPPLEMENTAL FINANCIAL DATA

(unaudited)

DATA PER COMMON SHARE¹ (dollars except as noted)	2000	1999	1998	1997	1996
Earnings from continuing operations	3.04	2.22	1.49	1.69	0.96
Earnings	3.04	2.22	1.49	1.69	1.77
Cash flow from continuing operations	4.45	2.75	2.91	3.03	2.22
Dividends paid	0.76	0.72	0.72	0.66	0.60
Common shareholders' investment	14.28	13.25	11.75	11.03	11.41
Common Shares outstanding at year-end (millions)	275	289	289	290	338
Registered shareholders (number at year-end)	2 849	3 001	3 161	3 257	3 398

¹ All data has been restated to reflect the impact of the June 30, 1997 three-for-one stock split.

RATIOS	2000	1999	1998	1997	1996
Return on average capital employed (%) ¹	20.3	15.8	11.8	13.2	14.6
Return on average capital employed from continuing operations (%) ¹	20.3	15.8	11.8	13.2	8.6
Return on net investment (%) ²	17.2	13.4	9.9	10.8	11.8
Return on average common shareholders' equity (%) ³	22.1	17.7	13.1	14.8	16.3
Return on average common shareholders' equity from continuing operations (%) ³	22.1	17.7	13.1	14.8	8.9
Common Share dividends as a percentage of earnings from continuing operations ⁴	25.1	32.5	48.3	39.3	62.1
Price to earnings ratio ⁵	12.9	13.2	15.6	15.2	10.1
Current assets to current liabilities	1.1	1.9	1.6	2.0	3.0
Interest coverage from continuing operations ⁶	32.7	23.1	10.3	14.2	9.0
Reinvestment ratio from continuing operations (%) ⁷	91.9	89.9	94.3	57.5	59.0
Total debt as a percentage of capital employed ⁸	11.3	10.3	18.9	18.8	15.8
Debt to cash flow from continuing operations (%) ⁹	39.9	55.6	93.7	78.8	96.4

¹ Earnings plus after-tax interest expense on long-term debt divided by average of opening and closing capital employed. Capital employed is a total of equity and long-term debt including the current portion of long-term debt.

² Earnings plus after-tax interest expense on long-term debt divided by average of opening and closing net investment. Net investment is total assets less current liabilities.

³ Earnings divided by average common shareholders' investment.

⁴ Common share dividends paid divided by earnings from continuing operations.

⁵ Closing share price at December 31 divided by earnings per share.

⁶ Pre-tax earnings from continuing operations plus interest on debt divided by interest on debt.

⁷ Capital, exploration and investment expenditures divided by cash flow from continuing operations.

⁸ Total debt divided by total debt plus equity.

⁹ Total debt divided by cash flow from continuing operations.

EMPLOYEES	2000	1999	1998	1997	1996
Employees (number at year-end)	3 392	3 431	3 644	3 593	3 710

QUARTERLY FINANCIAL AND STOCK-TRADING INFORMATION

(unaudited)

(\$ millions except as noted)	2000					1999				
	1st	Quarter 2nd	3rd	4th	Total Year	1st	Quarter 2nd	3rd	4th	Total Year
Earnings										
Sales and other operating revenues	1 789	1 809	2 156	2 435	8 189	1 035	1 186	1 509	1 649	5 379
Expenses	1 507	1 524	1 768	1 930	6 729	893	1 085	1 299	1 381	4 658
Asset sales and rationalization	—	—	—	—	—	—	—	—	367	367
Earnings before income tax	282	285	388	505	1 460	142	101	210	635	1 088
Income tax	114	117	162	209	602	62	43	65	277	447
Earnings	168	168	226	296	858	80	58	145	358	641
Segmented Earnings										
Resources	92	96	143	205	536	48	49	115	288	500
Oil Products	79	75	88	98	340	38	24	27	52	141
Corporate	(3)	(3)	(5)	(7)	(18)	(6)	(15)	3	18	—
Earnings	168	168	226	296	858	80	58	145	358	641
Per Common Share (dollars)										
Earnings	0.58	0.59	0.82	1.08	3.04	0.28	0.20	0.50	1.24	2.22
Cash dividends	0.18	0.18	0.20	0.20	0.76	0.18	0.18	0.18	0.18	0.72
Share prices (dollars) ¹										
High	31.80	37.50	36.00	40.80	40.80	25.50	30.50	34.00	33.85	34.00
Low	25.00	27.80	32.50	32.75	25.00	21.00	23.55	29.00	27.50	21.00
Close (end of period)	28.00	33.25	33.65	39.10	39.10	24.50	29.95	32.50	29.30	29.30
Shares traded (thousands) ²	11 253	13 829	14 426	9 101	48 609	7 626	7 045	4 450	4 185	23 306

¹ Toronto Stock Exchange quotations.

² Volume traded on the Toronto Stock Exchange.

OFFICERS (all in Calgary)

Timothy W. Faithfull
President and Chief Executive Officer

VICE PRESIDENTS

W. John Wills
Senior Operating Officer, Oil Products

Raymond I. Woods
Senior Operating Officer, Resources

Steinar Støtvig
Chief Financial Officer

Harold W. Lemieux
Vice President, General Counsel and Secretary

Neil J. Camarta
Senior Vice President, Oil Sands

Graham Bojé
Vice President, Manufacturing

Gary S. Vassie
Vice President

TREASURER

Catherine L. Williams

CONTROLLER

Ian S. Tittle

BOARD OF DIRECTORS

Fernand R. Bibeau
Chairman of the Board
Beauward Shopping Centres Ltd.
St-Eustache

Timothy W. Faithfull
President and Chief Executive Officer
Shell Canada Limited
Calgary

John F. Fraser OC
Chairman
Air Canada
Winnipeg

Kerry L. Hawkins
President
Cargill Limited
Winnipeg

John D. McNeil
Company Director
Toronto

Sir Mark Moody-Stuart KCMG
Chairman and Managing Director
The "Shell" Transport and
Trading Company, p.l.c.
London, England

Raymond Royer OC
President and Chief Executive Officer
Domtar Inc.
Ile Bizard

Paul D. Skinner
Managing Director
The "Shell" Transport and
Trading Company, p.l.c.
London, England

Margaret E. Southern OC, LVO
President
Spruce Meadows Equestrian Centre
Calgary

Robert T. Stewart
Retired Chairman of the Board
and Chief Executive Officer
Scott Paper Limited
Vancouver

The Corporation is aligned with the guidelines recommended by the Toronto Stock Exchange (TSE) for effective corporate governance. The one exception is the guideline to implement a system to enable an individual director to engage an outside adviser at the expense of the Corporation. It is the Board's view that any situations requiring outside advice should be handled case by case.

A complete description of the Corporation's approach to corporate governance is set out in Appendix 1 entitled "Statement of Corporate Governance Practices," which is attached to the Corporation's Management Proxy Circular dated March 7, 2001.

THE BOARD OF DIRECTORS

The Board of Directors manages and supervises the business and affairs of the Corporation in a stewardship role. The day-to-day management is delegated to the officers of the Corporation. Any responsibilities that have not been delegated to the officers or to a committee of the Board remain with the Board.

The Board is composed of 10 directors. Nine of the 10 directors are unrelated to the Corporation, as defined in the TSE guidelines. The one related director is the President and Chief Executive Officer, T.W. Faithfull. The Corporation has a significant shareholder, but seven of the 10 directors are outside directors who have no interests in or relationships with either the Corporation or the significant shareholder. The Board believes this fairly reflects the investment of minority shareholders.

The Chairman of the meetings of the Board is a separate role from the President and Chief Executive Officer.

The Board held seven meetings during 2000.

The Board has adopted a Statement of General Business Principles and Code of Ethics, which all employees are expected to observe in the conduct of the Corporation's business. The Board expects management to manage the business of the Corporation in a manner that enhances shareholder value, is consistent with the highest level of integrity and is within the law.

The Investor Relations manager and senior management communicate with significant shareholders, institutional investors and the financial community. The Corporation's transfer agent or the Corporate Secretary's department responds to shareholder account inquiries. Shareholders and the public receive a response from the Public Affairs department, the Investor Relations department, the Corporate Secretary's department or the appropriate member of senior management.

BOARD COMMITTEES

The Board has three committees: the Audit Committee, the Management Resources and Compensation Committee and the Nominating and Governance Committee. All members of the committees are outside directors and unrelated to the Corporation.

AUDIT COMMITTEE

The members of the Audit Committee are R.T. Stewart (Chairman), J.F. Fraser, K.L. Hawkins and M.E. Southern.

The committee's mandate includes:

- *reviewing the annual audited financial statements and the Auditors' Report on the statements prior to submission to the Board for approval;*
- *reviewing the scope of external and internal audits;*
- *reviewing and discussing accounting and reporting policies and changes in accounting principles;*
- *reviewing the Corporation's internal control systems and procedures;*
- *meeting with the external auditors independently of management of the Corporation.*

The Audit Committee met twice in 2000.

MANAGEMENT RESOURCES AND COMPENSATION COMMITTEE

The members of the Management Resources and Compensation Committee are J.D. McNeil (Chairman), F.R. Bibeau, J.F. Fraser, K.L. Hawkins and R. Royer.

The committee's mandate includes:

- *determining compensation and terms of employment for senior executives, including stock option and incentive programs;*
- *approving pension and benefit plans of the Corporation;*
- *reviewing executive succession and development plans and recommending to the Board candidates for election as officers of the Corporation;*
- *assessing at least annually the performance of the President and Chief Executive Officer and determining his or her compensation and terms of employment.*

The Management Resources and Compensation Committee met four times in 2000.

NOMINATING AND GOVERNANCE COMMITTEE

The members of the Nominating and Governance Committee are J.F. Fraser (Chairman), F.R. Bibeau, K.L. Hawkins and R.T. Stewart.

The committee's mandate includes:

- *determining criteria for being a director and assisting the Chief Executive Officer in selecting new candidates for the Board;*
- *reviewing and recommending to the Board criteria related to the tenure of directors;*
- *reviewing annually the performance of the Board and committees of the Board;*
- *reviewing annually memberships of the committees and making recommendations to the Board on appointments to the committees;*
- *reviewing and making recommendations to the Board on the mandates of committees of the Board;*
- *determining remuneration to be paid to directors for sitting on the Board and committees;*
- *reviewing and making recommendations to the Board on corporate governance;*
- *administering the Director Share Compensation Plan.*

The Nominating and Governance Committee met twice in 2000.

SHELL CANADA LIMITED

(incorporated under the laws of Canada)

HEAD OFFICE

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TRANSFER AGENT AND REGISTRAR

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1-800-387-0825
Toll-free throughout North America

STOCK EXCHANGE LISTINGS

The Common Shares of Shell Canada Limited are listed on the Toronto Stock Exchange (stock symbol SHC), and do not have an established public trading market in the United States.

ANNUAL MEETING

The annual meeting of shareholders will be held at 11:00 a.m., Wednesday, April 25, 2001, in the Crystal Ballroom, Fairmont Palliser Hotel, Calgary, Alberta.

DUPLICATE REPORTS

Shareholders who receive more than one copy of the Quarterly Report to Shareholders and the Annual Report, as a result of having their shareholdings represented by two or more share certificates, may wish to contact the transfer agent to have their holdings consolidated. It will not be necessary to forward share certificates.

**ANNUAL INFORMATION FORM AND
PROGRESS TOWARD SUSTAINABLE
DEVELOPMENT**

The Corporation's Annual Information Form for 2000 and the publication "Progress Toward Sustainable Development" are available to shareholders on request from the Corporation's Secretary at Shell's head office.

**OWNERSHIP AND VOTING RIGHTS
OF SHELL CANADA LIMITED**

(at December 31, 2000)

Ownership of Shell Canada Limited is divided between Shell Investments Limited and public shareholders. Shell Investments Limited holds approximately 78 per cent of the equity and voting rights.

The publicly held Common Shares (approximately 60.8 million) constitute about 22 per cent of the equity and voting rights in the Corporation.

Shell Investments Limited is a Canadian company, wholly owned by Shell Petroleum N.V. of the Netherlands which, in turn, is owned 40 per cent by The "Shell" Transport and Trading Company, p.l.c., an English company, and 60 per cent by Royal Dutch Petroleum Company of the Netherlands.

APPROXIMATE CONVERSION FACTORS

1 cubic metre of liquids	= 6.29 barrels
1 cubic metre of gases	= 35.3 cubic feet
1 barrel of oil equivalent	= 6,000 cubic feet of gases
1 tonne	= 2,205 pounds
	= 0.984 long ton
	= 1.102 short tons
1 kilometre	= 0.621 mile
1 hectare	= 2.47 acres
1 litre	= 0.22 gallon



Shell Canada Limited

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